Supreme Court, U.S.
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No. _____

In The

Supreme Court of the United States

JIM WEINS AND MAC MEYER,

Petitioners,

v.

ROBERT A. SPORLEDER, MERLE VAN LIERE AND EN-R-G-MAX, INC.,

Respondents.

On Petition For A Writ Of Certiorari To The Supreme Court Of South Dakota

PETITION FOR A WRIT OF CERTIORARI

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172 pp

QUESTIONS PRESENTED FOR REVIEW

I

WHETHER THE SOUTH DAKOTA SUPREME COURT INCORRECTLY APPLIED *ECONOMY ROOFING AND INSULATING CO. V. ZUMARIS*, 538 N.W.2d 641 (IOWA 1995), WHICH THE SOUTH DAKOTA SUPREME COURT STATED WAS A SIMILAR CASE TO THIS CASE.

II

WHETHER THE UNIFORM TRADE SECRETS ACT DISPLACED PETITIONERS' TORT CLAIM ALLEGING THAT ALL THREE RESPONDENTS CONSPIRED BY FRAUD AND DECEIT TO BREACH A CONFIDENTIAL RELATIONSHIP BETWEEN THE PETITIONERS WEINS AND MEYER AND RESPONDENT SPORLEDER.

PARTIES TO THE PROCEEDINGS AND RULE 29.6 STATEMENT

The Petitioners in the case at bar are Jim Weins and Mac Meyer, residents of Rapid City, South Dakota.

Respondent Robert A. Sporleder is a resident of Colorado and Respondent Merle Van Liere is a resident of Sioux Falls, South Dakota. En-R-G-Max, Inc., which is no longer registered as a South Dakota corporation had no subsidiaries. Since the verdict, both Merle Van Liere and En-R-G-Max, Inc., have gone through bankruptcy. The Merle Van Liere bankruptcy has been discharged.

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PETITION FOR WRIT OF CERTIORARI

Jim Weins and Mac Meyer Petition for a Writ of Certiorari to review two opinions of the Supreme Court of South Dakota arising out of the same case.

OPINIONS BELOW

There are two opinions pertaining to the case at bar issued by the Supreme Court of South Dakota, both of which are printed in the Appendix. The first appeal was from a Judgment entered against Robert Sporleder, Merle Van Liere and En-R-G-Max, Inc., on two counts in the amount of $440,000.00. The first opinion is *Weins v. Sporleder*, 569 N.W.2d 16 (SD 1997) (*Weins I*). (App. 1). The second appeal was from an amended judgment entered following the first appeal and is *Weins v. Sporleder*, 605 N.W.2d 488 (SD 2000) (*Weins II*). (App. 36).

JURISDICTION

Weins I was decided on October 9, 1997. It was remanded to the lower court for judgment pursuant to statute. An Amended Judgment was entered by the Circuit Court on November 12, 1998. (App. 54). The November 12, 1998, Judgment was then appealed resulting in a second decision by the SD S.Ct. on January 26, 2000. A Second Amended Judgment was entered by the Circuit Court on remand on April 25, 2000. (App. 65). Jurisdiction is invoked under 28 U.S.C. Sec. 1257.

CONSTITUTIONAL PROVISIONS INCLUDED

ARTICLE VI, Section 6 of the South Dakota Constitution provides the right of trial by jury shall remain inviolate and shall extend to all cases at law without regard to the amount in controversy, but the legislature may provide for a jury of less than twelve in any court not a court of record and for the decision of civil cases by three-fourths of the jury in any court.

ARTICLE V, Section 5 of the South Dakota Constitution provides in part, "The circuit courts have original jurisdiction in all cases except as to any limited original jurisdiction granted to other courts by the legislature."

STATUTES AND REGULATIONS INCLUDED

S.D. Code Ann. 15-6-38(a), which reads:

> The right of trial by jury as declared by Article VI, Section 6, of the Constitution of South Dakota or as given by a statute of South Dakota shall be preserved to the parties inviolate.

S.D. Code Ann. 15-30-14, which reads:

> In all cases, the Supreme Court shall remit its judgment or decision to the court from which the appeal was taken, to be enforced accordingly, and if from a judgment, final judgment shall thereupon be entered in the court below in accordance therewith, except where otherwise ordered.

S.D. Code Ann. 16-6-8, which reads:

> The circuit court possesses chancery as well as common law jurisdiction.

S.D. Code Ann. 19-23-2 which reads:

> No liability insurance policy in this state shall contain any requirement for the payment of liability or loss under the policy, by the assured, but all policies shall provide in substance that bankruptcy or insolvency of the assured shall not release the insurer from liability.

Portions of the Uniform Trade Secrets Act – S.D. Code annotated 37-29 follow:

S.D. Code Ann. 37-29-1, terms used in this chapter mean:

(1) "Improper," includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means.

(2) "Misappropriation,"

(i) Acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or

(ii) Disclosure or use of a trade secret of another without express or implied consent by a person who:

(A) Used improper means to acquire knowledge of the trade secret; or

(B) At the time of disclosure or use, knew or had reason to know that such knowledge of the trade secret was:

(I) Derived from or through a person who had utilized improper means to acquire it;

(II) Acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or

(III) Derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or

(C) Before material change of position, knew or had reason to know that it was a trade secret and knowledge of it had been acquired by accident or mistake;

(4) "Trade secret," information, including a formula, pattern, compilation, program, device, method, technique or process, that:

(i) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and

(ii) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

S.D. Code Ann. 37-29-2, which provides in part:

Injunctive relief. (a) Actual or threatened misappropriation may be enjoined. Upon application to the court, an injunction shall be terminated when the trade secret has ceased to exist, but the injunction may be continued for an additional

reasonable period of time in order to eliminate commercial advantage that otherwise would be derived from misappropriation.

S.D. Code Ann. 37-29-3, which states:

Damages. (a) Except to the extent that a material and prejudicial change of position prior to acquiring knowledge or reason to know of misappropriation renders a monetary recovery inequitable, a complainant is entitled to recover damages for misappropriation. Damages can include both the actual loss caused by misappropriation and the unjust enrichment caused by misappropriation that is not taken into account in computing actual loss. In lieu of damages measured by any other methods, the damages caused by misappropriation may be measured by imposition of liability for a reasonable royalty for a misappropriator's unauthorized disclosure or use of a trade secret.

(b) If willful and malicious misappropriation exists, the court may award exemplary damages in an amount not exceeding twice any award made under subsection. (a).

S.D. Code Ann. 37-29-7 which states:

Effect on other law. (a) Except as provided in subsection (b), this chapter displaces conflicting tort, restitutionary and other law of this state providing civil remedies for misappropriation of a trade secret.

(b) This chapter does not affect:

(1) Contractual remedies, whether or not based upon misappropriation of a trade secret;

(2) Other civil remedies that are not based upon misappropriation of a trade secret; or

(3) Criminal remedies, whether or not based upon misappropriation of a trade secret.

Portions of the Iowa Trade Secrets Act, Iowa Code 550 follow:

Iowa Code section 550.3(1) provides that "[t]he owner of a trade secret may petition the district court to enjoin an actual or threatened misappropriation."

Iowa Code section 550.4(1) provides that "an owner of a trade secret is entitled to recover damages for the misappropriation."

Iowa Code section 550.2(4) defines a trade secret as information, including but not limited to a formula, pattern., compilation, program, device, method, technique, or process that is both of the following:

a. Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by a person able to obtain economic value from its disclosure or use. b. Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Iowa Code section. 550.2(3) in pertinent part defines misappropriation as doing any of the following:

a. Acqui[ring] a trade secret by a person who knows that the trade secret is acquired by improper means.

b. Disclos[ing] or us[ing] a trade secret by a person who uses improper means to acquire the trade secret.

c. Disclos[ing] or us[ing] a trade secret by a person who at the time of disclosure or use, knows that the trade secret is derived from or through a person who had utilized improper means to acquire the trade secret.

"Improper means" is defined as "theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage, including but not limited to espionage through an electrical device."

STATEMENT OF THE CASE

In September, 1989, Jim Weins (Weins) and Robert Sporleder (Sporleder) started experimenting on a feed supplement for ruminants and pseudoruminants. The product was a feed product to be fed free choice to cattle, sheep and horses and was to limit consumption. On November 2, 1988, Weins, Meyer (Meyer) and Sporleder mixed a batch which they fed to cattle. The mixture started to control the amount of feed the cattle would eat. Weins continued after November 2, 1988, to test and perfect the product. On December 9, 1988, Weins, Meyer and Sporleder agreed to form a corporation called Pro-Energy to manufacture and sell the feed product. Each was to own one-third of the corporation.

In December, 1989, Sporleder advised Weins and Meyer that he had two semi-loads of the product sold. One semi-load in South Dakota and a second load in

Nebraska. Weins, Meyer and Sporleder had no plant and were still mixing the feed by hand. An attorney who was preparing a patent application for Pro-Energy advised Weins that they couldn't sell the product until they filed a patent application.

On February 23, 1998, at Weins' home, Weins told Sporleder again they would have to wait about sixty days to sell the product. Sporleder stormed out of Weins' home. Shortly thereafter, Meyer called Sporleder on the phone. Sporleder said: "I'm not going to wait." That was the end of the relationship. Sporleder went to work for Van Liere and they produced En-R-G-Max, which was basically the same product as the product developed by Weins, Meyer and Sporleder. Weins, Meyer and Sporleder had an oral agreement which established a confidential relationship demanding the exercise of proper care to the interest of all three, which established a fiduciary relationship which was breached by a conspiracy between Sporleder, Van Liere and En-R-G Max, Inc. (App. 138).

The patent application signed by Weins was denied by the patent office. The trial court instructed the jury that the denial of the patent and the reasons given for the denial were not binding and should be disregarded by the jury when determining whether Weins, Meyer and Sporleder had a trade secret.

Weins and Meyer, (Petitioners), sued Sporleder, Van Liere amd En-R-G-Max, Inc., (Respondents), in a two count complaint. The First Count was for misappropriation of a trade secret. The Second Count was for a tortious breach of a confidential relationship. The demand for a jury trial was made by the respondents. The jury

was instructed, without objection, that it was their duty to determine the facts from all of the evidence produced in open court.

The jury was also instructed verbatim as to the definition of "improper" (SDCL 37-29-1(1)), "misappropriation" (SDCL 37-29-1(2)), and "trade secret" (SDCL 37-29-1(4)). The jury was also given a definition of "proper". The jury returned a verdict of $440,000.00 compensatory damages on both the misappropriation of a trade secret count and on the tortious breach of a confidential relationship count.

The SD S.Ct. in *Weins I* at page 20 relied on *Economy Roofing and Insulating Co. v. Zumaris,* 538 N.W.2d 641 (Iowa 1995) (referred to as *Economy*) in reaching its decision. However, the SD S.Ct. did not properly apply *Economy* for the following reasons:

1. Iowa Code section 550.2(4) and SDCL 37-29-1(4) both define "trade secret" as follows:

> (4) "Trade secret," information, including a formula, pattern, compilation, program, device, method, technique or process, that:
>
> (i) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and
>
> (ii) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Both the Iowa S.Ct. and the SD S.Ct. held that the first paragraph of part (4) set forth above is a question of law. At page 20 of *Weins I*, the SD S.Ct., quoting *Economy*, stated: "The 'legal part of the question' is whether the information in question 'could constitute a trade secret under the first part of the definition of trade secret. . . .' " The SD S.Ct. narrowly construed SDCL 37-29-1(4) ignoring the interpretation given by the Iowa S.Ct. in *Economy*. The Iowa S.Ct. said in *Economy* at pages 646-647:

> "In a recent case we gave a *broad* interpretation of 'information' that could legally constitute 'trade secrets': (Emphasis added).
>
> > Under the plain. language of [Iowa Code section 550.2(4)] 'trade secret' is defined as 'information' and eight examples of this term are provided. Although these examples cover items normally associated with the production of goods, 'trade secrets' are not limited to the listed examples. Business information may also fall within the definition of a trade secret, including such matters as *maintenance of data on customer lists and needs, source of supplies, confidential costs, price data and figures*. One commentator explains:
> >
> > Trade secrets can range from customer information, to financial information, to information about manufacturing processes to the composition of products. There is virtually no category of information that cannot, as long as the information is protected from disclosure to the public, constitute a trade secret.

> We believe that a broad range of business data and facts which, if kept secret, provide the holder with an economic advantage over competitors or others, qualify as trade secrets. *US West Communications, Inc. v. Office of Consumer Advocate*, 498 N.W.2d 711, 714 (Iowa 1993) (citations omitted)."

The Iowa S.Ct. said that a trade secret can include "composition of products." The SD S.Ct. said, "Combining these materials cannot be considered a trade secret if the formula was 'within the realm of general skills and knowledge in the relevant industry.' " The testimony and evidence was that until Weins, Meyer and Sporleder came up with the product described, there was no similar product that effectively limited consumption. The jury agreed and found that Weins and Meyer had a trade secret and that it was misappropriated. (App. 137)

The SD S.Ct. also said at page 20 of *Weins I* that, "Throughout these proceedings, however, there was never a clear assertion as to what exactly was claimed to be the trade secret."

The case was submitted to the jury on the allegations contained in the Second Amended Complaint, (App. 57), which read in part:

"FIRST CAUSE OF ACTION

I.

> That sometime before November, 1983, Plaintiff Jim Weins conceived the idea for and invented a new product having application for a Feed Supplement for ruminants and pseudoruminants. Said product is a tub feed product

> containing a combination of ingredients to be fed free choice to cattle, sheep and horses and which was to limit consumption.
>
> That the invention, combination of ingredients, use and application was a trade secret."

It was clear what Weins and Meyer claimed was the trade secret and the jury correctly found it was a trade secret.

In *Economy*, which is the case that the SD S.Ct. said that it relied upon for a *"Standard of Review in a similar case,"* it was alleged that two employees of Economy Roofing appropriated trade secrets belonging to Economy Roofing and that they took those trade secrets to Roofing Technology, Inc. A similar allegation was set forth in this case. In the First Cause of Action in the Second Amended Complaint, (App. 57), Weins and Meyer alleged:

> "VI.
>
> That thereafter, Robert A. Sporleder, ignoring the Plaintiffs, took the Feed Product and got together with Merle Van Liere and they built a manufacturing plant in Crooks, South Dakota, using the name En-R-G-Max, Inc., then entered into a contract with Farmland Industries, Inc., and others for the distribution of the product."

In this case the trial court instructed the jury as to the meaning of a fiduciary or confidential relationship. In answer to an interrogatory submitted to the jury along with the instructions, the jury found that Sporleder had breached a confidential or fiduciary relationship. (App. 138). The court also instructed the jury on the definition of conspiracy. In answer to another Interrogatory, the jury found against Van Liere, En-R-G-Max, Inc., and Sporleder

on their fraud and deceit claim arising out of the breach of a confidential or fiduciary relationship. (App. 138). In *Economy*, the Iowa court said at page 646 that a breach of a confidential or fiduciary relationship by fraud or deceit would state a trade secret claim. The *Economy* case also appears to state that even if the court finds that under the legal definition there is no trade secret, the case still should be submitted to the jury for a final determination.

At page 645 of *Economy*, the Iowa S.Ct. states, "The parties agree that the court directed a verdict on the trade secret claims at the Motion in Limine hearing immediately before trial." Economy Roofing argued: "Had it been allowed to present such evidence, . . . it would have generated a jury question on the trade secrets claims." The Iowa S.Ct. then reviewed the trade secret claims alleged by Economy and concluded after finding a fiduciary relationship existed stated at page 648.

> "Given this relationship and the definition of 'misappropriation' in Iowa Code chapter 550, we think a fact finder could easily find that Douglas and Sharon had a fiduciary duty to maintain the secrecy of the information Economy described as trade secrets. Suffice it to say that the district court should have allowed Economy to present evidence on whether (1) the information in the computer constituted trade secrets under the statutory definition of trade secrets, and (2) Sharon and Douglas had a fiduciary duty to maintain the secrecy of this information."

The Iowa S.Ct. disregarded the directed verdict ruling and remanded the case for further proceedings on the trade secret claim.

The decision of the SD S.Ct. in *Weins I* was exactly the opposite. It decided the law question and in doing so did not adopt the broad interpretation of "information" that could legally constitute "trade secrets" and struck the jury findings of fact. The SD S.Ct. also said at page 20 of *Weins I*, "We agree with the standards applied in a similar case, *Uncle B's Bakery, Inc. v. O'Rourke*, 920 F.Supp. 1405, 1427 (N.D. Iowa 1996) (interpreting Iowa law). The court in *Uncle B's* adopted the broad definition of "information" that could legally constitute "trade secrets" used in *Economy*.

The SD S.Ct. said at page 21 of *Weins I*, "Furthermore, reasonable minds could not have differed as to the determination of whether the economic value of Weins' product was readily ascertainable by other means. *See id.*; SDCL 37-29-1(4)(i)." The *Uncle B's* court stated at page 21, "In referring to 'economic value', the Iowa S.Ct. has held, this subsection of the statute speaks to the value of the information to either the owner or a competitor; any information which protects the owner's competitive edge or advantage. *U.S. West*, 498 N.W.2d 714 (citing *Millgrim on Trade Secrets* Sec. 9.03(3)(f) . . . " In the case at bar a CPA testified for Weins and Meyer that based on the sales records of En-R-G-Max, the sales of En-R-G-Max were $440,000.00. The jury adopted this figure. Sporleder, Van Liere and En-R-G-Max offered no economic value testimony. SDCL 37-29-3 provides that damages can be based on unjust enrichment.

The jury in *Weins I* also returned a verdict in the amount of $440,000.00 on the Second Cause of Action. (App. 138). The trial court instructed the jury on this count as follows:

INSTRUCTION NO. 2

Weins and Meyer also allege they had an oral contract with Robert Sporleder and that Robert Sporleder and Merle Van Liere conspired to breach that agreement. Robert Sporleder denies that he has breached any oral contract with Weins and Meyer and alleges that Weins and Meyer abandoned the contract. Merle Van Liere and En-R-G-Max, Inc. deny that they were a party to this agreement or that they have participated in the alleged breach of the agreement. Weins and Meyer also allege that a confidential or fiduciary relationship was created by the oral contract between them and Sporleder which has been breached by Sporleder, Van Liere, and En-R-G-Max, Inc. Merle Van Liere and En-R-G-Max, Inc. deny that they had a confidential or fiduciary relationship with Weins and Meyer. Sporleder, Van Liere and En-R-G-Max, Inc. deny that the alleged confidential or fiduciary relationship was breached. Finally, Weins and Meyer also assert that Robert Sporleder and Merle Van Liere have engaged in fraudulent and deceitful acts. Robert Sporleder, Merle Van Liere and En-R-G-Max, Inc. deny they are liable for fraud and deceit.

In the opening statement in *Weins I*, the SD S.Ct. said at page 17, "The trial court later found that the tort claims were displaced by the Uniform Trade Secrets Act and struck the jury's award of punitive damages." What the SD S.Ct. said was correct in so far as it went. It failed to state that the trial court did not strike the tort claim but rather struck only the punitive damages awarded by the jury on the tort claim. It failed also to state the reason that the trial judge struck the punitive damages. The court

struck the punitive damages because the jury had found for the plaintiffs on the trade secret claim as well as the tort claim and that it was the opinion of the trial court that under such circumstances it was the trial court's sole province whether or not punitive damages should be awarded. The court struck the punitive damages.

The case was remanded for entry of judgment consistent with the opinion, which was exactly what the trial court did. After remand, before the trial court entered the Amended Judgment, (App. 54), it held a hearing to clarify its position regarding whether or not it had struck the tort claim as claimed by the defendants, or just the punitive damages as claimed by the plaintiffs. That opinion is incorporated in the Motion for Rehearing. (App. 115).

The opinion of the trial court set out at App. 115 is supported by the Findings of Fact and Conclusions of Law entered after the hearing on the Motion for Prejudgment Interest and Punitive Damages dated May 25, 1995, and made part of the record transmitted to the SD S.Ct. in *Weins I* and *Weins II* in the settled record at 887-891. A copy of his findings and conclusions are included in the Appendix. (App. 47).

The pertinent findings are:

Finding of Fact

2. The jury's verdict discloses:

    a) trade secret misappropriation against Robert Sporleder, Merle Van Liere, and En-R-G Max, Inc.;

b) breach of oral contract against Robert Sporleder;

c) breach of fiduciary or confidential relationship against Robert Sporleder but did not find such breach against Merle Van Liere and En-R-G Max, Inc.; and fraud and deceit against Robert Sporleder, Merle Van Liere and En-R-G Max, Inc.

* * *

5. Based on the evidence and testimony heard by the Court, there has not been a sufficient showing of willful or malicious, outrageous or egregious conduct on the part of any of the three named Defendants to warrant an award of punitive damages under the Uniform Trade Secrets Act as adopted in South Dakota.

* * *

11. SDCL 37-29-7 provides that the Uniform Trade Secrets Act "displaces conflicting tort, restitutionary and other laws of this state providing civil remedies for misappropriation of a trade secret."

12. Plaintiff's claim for fraud and deceit, and breach of fiduciary or confidential relationship are other civil remedies for misappropriation of a trade secret in that the elements required to prove these torts are within the elements of a misappropriation of trade secret under South Dakota law. *Since a misappropriation of a trade secret was found by the jury, damages are only to be awarded for the misappropriation of trade secret, not the claims for fraud and deceit, breach of fiduciary duty.* (Underlining supplied).

13. The oral contract established a relationship demanding the exercise of proper care and acts and omissions in performance and gave rise to a duty in tort actions for fraud and deceit and breach of fiduciary or confidential relationship, but did not exclude the preemption of the Uniform Trade Secrets Act under SDCL 37-29-7(b)(1) or (2) *or form a separate non-tort contract basis for punitive damages under SDCL 21-3-2.* (Underlining supplied).

14. SDCL 37-29-3 restricts the determination of punitive damages to discretion of the court. The jury would determine the issue of punitive damages if the verdict had not included an award under misappropriation of trade secret. Since the jury found for the plaintiff on the issue of misappropriation of trade secret, the issue of punitive damages becomes an issue for the court to decide.

15. In order to recover punitive damages pursuant to SDCL 37-29-3(b), there must be a showing of willful and malicious misappropriation.

16. Whether actual or presumed, malice must be shown in order to recover punitive damages pursuant to SDCL 37-29-3(b); in this case, there has not been a sufficient showing of either actual or presumed malice to support an award for punitive damages under the Uniform Trade Secrets Act as adopted in South Dakota.

The trial court actually held that the Second Cause of Action may go to the jury pursuant to SDCL 37-29-7(b)(1) and (2) and that the jury can assess punitive damages on the Second Cause of Action. The court stated, however, if the jury also finds that there was a misappropriation of a trade secret, SDCL 37-29-3(b) makes the awarding of

punitive damages the exclusive province of the court. The jury found for Petitioners under both theories and based on the trial judge's interpretation, the court refused to assess punitive damages and struck the jury's award of punitive damages.

In *Weins II* the SD S.Ct. stated at page 491 that assuming that the tort claim was not displaced by the rulings, the S.D. adoption of the Uniform Trade Secrets Act prevents a plaintiff from merely restating their trade secret claims as separate tort claims. In support of that statement, the court relied on the following: "A plaintiff may not rely on acts that constitute trade secret misappropriation to support other causes of action." *Ed Nowogroski Ins. Inc., v. Rucker*, 88 Wash. App. 350, 944 P.2d 1093, 1097 (1997). The decision of the Washington App. Div. case was appealed to the S.Ct. of Washington. *Ed Nowogroski Ins. Inc., v. Rucker*, 971 P.2d 936 (Wash. 1999).

The Washington Supreme Court stated at page 941, "While the definition of a trade secret is a matter of law under the Uniform Trade Secrets Act, RCW 19.108.010(4), the determination in a given case, whether specific information is a trade secret, is a factual question."

The Washington court went on to say at page 942:

> "Once a common law concept, trade secret protection is now governed by statutes in most states, including Washington, *Machen, Inc. v. Aircraft Design, Inc.*, 65 Wash. App. 319, 324, 828 P.2d 73 (1992). Forty-one states and the District of Columbia have adopted the Uniform Trade Secrets Act. Unif. Trade Secrets Act (amended 1985), 14 U.L.A. 152 (Supp. 1998). The Uniform Trade Secrets Act, RCW 19.108, was adopted in

> Washington in 1981 and provides that a plaintiff can receive damages for misappropriation of trade secrets. *Boeing Co. v. Sierracin Corp.*, 108 Wash. 2d 38, 46, 738 P.2d 665 (1987); *Machen*, 65 Wash. App. at 324, 828 P.2d 73. The Act codifies the basic principles of common law trade secret protection. *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 520 (9th Cir. 1993). A purpose of trade secrets law is to maintain and promote standards of commercial ethics and fair dealing in protecting those secrets. *Boeing*, 108 Wash.2d at 58, 738 P.2d 665 (citing *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 481-82, 94 S.Ct. 1879, 40 L.Ed.2d 315 (1974))."

The Washington Uniform Trade Secrets Act defines trade secret as follows:

> " 'Trade secret' means information including a . . . compilation . . . that:
>
> (a) Derives independent economic value actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and
>
> (b) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. RCW 19.108.010(4)."

The Washington court went on to say at page 942:

> "The portion of the Act's definition of "misappropriation" which applies here proscribes the disclosure or use of a trade secret of another without express or implied consent by a person who, at the time of disclosure or use, knew or had reason to know his or her knowledge of the trade secret was acquired under circumstances

> giving rise to a duty to maintain its secrecy or limit its use. RCW 19.108.010(2)."[3] (Footnote 3 not quoted).

This is the same language as used in the South Dakota definition of "misappropriation", SDCL 37-29-1(2)(ii)(B)(II).

The Washington court goes on at page 945 to discuss the question which is now one of the central issues in this Petition, that is whether a plaintiff can rely on acts that constitute trade secret misappropriation to support other causes of action. The Washington Supreme Court answered in the affirmative at page 945 where it said:

> "As noted above, the Uniform Trade Secrets Act codifies the principles of common law trade secret protection. *MAI Sys. Corp.*, 991 F.2d at 520: see also 2 *Rudolf Callmann, The Law of Unfair Competition, Trademarks and Monopolies* Sec. 14.31, at 219 (4th ed. Supp. 1996) (the same principles apply to the protection of customer lists under the Uniform Trade Secrets Act as under the common law). In the absence of legislative intent to the contrary, prior common law which is not contradicted by the Uniform Trade Secrets Act should continue to guide courts in the interpretation of the Act. See *Avnet, Inc. v. Wyle Lab., Inc.*, 263 Ga. 615, 437 S.E.2d 302, 305 (1933) (*the state Uniform Trade Secrets Act is to be construed in harmony with the preexisting common law on trade secrets). The Uniform Trade Secrets Act only abrogates prior conflicting state law.* RCW 19.108.900,[5] *Boeing*, Wash.2d at 48, 738 P.2d 665." (Underlining supplied).

> "[5]. The UTSA displaces conflicting tort, restitutionary and other law pertaining to civil liability

> for misappropriation of a trade secret, *but does not effect contractual* or other civil liability based on misappropriation of a trade secret." (Emphasis added).

The Wash. S.Ct., after citing other authorities, stated:

> "The United States Supreme Court has held that proof of trade secrets is not required for breach of confidentiality claims which may be brought independent of trade secret claims. *E.I. DuPont DeNemour Powder Co. v. Masland*, 244 U.S. 100, 102, 37 S.Ct. 575, 61 L.Ed 1016 (1917); *Monolith Portland Mid West Co. v. Kaiser Aluminum and Chemical Corp.*, 407 F.2d 288, 293 (9th Cir. 1969). *A confidential relationship alone is enough to prohibit disclosure.* (Emphasis added). *Island Air, Inc., v. LaBar*, 18 Wash. App. 129, 138-39, 566 P.2d 972 (1977). *Furthermore, a contractual provision designated to protect against disclosure would also not be subject to displacement by the Uniform Trade Secrets Act.*" (Emphasis added).

The decision of the S.Ct. of Washington was called to the attention of the SD S.Ct. in the Supplemental Petition for Rehearing. (App. 129). The Petition was denied. (App. 52).

REASONS FOR GRANTING THE WRIT

TRADE SECRET QUESTION

In *Lear, Inc., v. Adkins*, 395 U.S. 653, 23 L.Ed.2d 2610, 89 S.Ct. 1902 (1969), the court reviewed an opinion of the Cal. S.Ct. The facts were that Lear hired Adkins who developed an improved gyroscope at a low cost which

Lear immediately incorporated into its production. The question was, "Whether, after eight years of litigation in the California courts, will Adkins receive compensation for Lear's use of those improvements which the inventor has subsequently patented?" No patent issue was decided by the California S.Ct. Certiorari was granted by the U.S. Supreme Court, 395 U.S. at 645, because, "We granted Certiorari in the present case, 391 U.S. 912, to reconsider the validity of the Hazeltine rule in the light of our recent decisions emphasizing the strong federal policy favoring free competition in ideas which do not merit patent protection." At footnote 9, 395 U.S. at 653, the court said, "Adkins also filed a second cause of action which contended that Lear had wrongfully appropriated a valuable trade secret and so was liable regardless of the validity of the inventor's contractual and quasi-contractoral theories. The trial court, however, required Adkins to choose between the contract and the tort claims. Since the California Supreme Court vindicated the inventor's right to contractual royalties, it was not obligated to consider the trial judge's decision. Consequently, the tort claim is not before us at this time."

The reason for granting the Writ of Certiorari in *Lear*, coupled with the language of footnote 9, quoted above, creates an inference that if the tort claim had been before the Court it would also have been made part of the Writ of Certiorari addressed to the California Supreme Court. The decision in *Lear* addresses many of the same questions raised in this Petition. Weins and Meyer applied for a patent. In the interim, between the time they applied for the patent and the time the patent application was

denied, the respondents misappropriated their trade secret.

In this case the SD S.Ct. said it was applying the opinion of the Iowa S.Ct. in a similar case. If the SD S.Ct. had properly applied the Iowa decision, the lower court decision in this case would have been affirmed.

BREACH OF CONFIDENTIALITY CLAIM

All of the reasons set forth above in regard to the trade secret claim apply also to the Breach of Confidentiality Claim except that the disagreement is with a decision of the Wash. S.Ct. In addition, in the view of the Wash. S.Ct., the decision of the SD S.Ct. is in direct conflict with a U.S. Supreme Court decision. South Dakota is a common law state and the lower courts have common law jurisdiction.

In *Ed Nowogroski Ins., Inc. v. Rucker*, 971 P.2d 936 (Wash 1999), *supra*, the Washington S.Ct. said at 942: "Once a common law concept, trade secret protection. is now governed by statutes in most states including Washington . . . " "Forty-one states and the District of Columbia have adopted the Uniform Trade Secrets Act." The UTSA obviously affects interstate commerce. Sporleder had attempted to sell a tractor load of feed in Nebraska prior to the time he was employed by En-R-G-Max. Van Liere testified that En-R-G-Max had a national marketing plan. A purpose of trade secrets law is to maintain and promote standards of commercial ethics and fair-dealing in protecting, those secrets. *Boeing*, 108 Wash.2d at 58, 733

P.2d 665 (citing *Kewanee Oil Co. v. Bicron Corp*, 416 U.S. 470, 481-82, 94 S.Ct. 1879, 40 L.Ed.2d 315 (1974)).

Petitioners submit that the reasons for granting certiorari in *Lear, Inc. v. Adkins*, have wider application in this case. Forty-one states and the District of Columbia have adopted the Uniform Trade Secrets Act. It should be subject to a federal policy favoring free and ethical competition in ideas which do not merit patent protection.

CONCLUSION

For the foregoing reasons, a Petition for Writ of Certiorari should issue to the Supreme Court of South Dakota for review by this Court in both *Weins I* and *Weins II*.

Respectfully submitted,

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1997 SD 111

**Jim WEINS and Mac Meyer,
Plaintiffs and Appellees,**

v.

**Robert SPORLEDER, Merle Van
Liere and EN-R-G Max, Inc.,
Defendants and Appellants.**

Nos. 19307, 19308, 19310 and 19315.

Supreme Court of South Dakota.

Argued Dec. 3, 1996.

Decided Sept. 3, 1997.

Rehearing Denied Oct. 9, 1997.

Rick Johnson of Johnson, Eklund, Nicholson, Peterson & Fox, Gregory, and David Vrooman, Sioux Falls, for plaintiffs and appellees.

Gale Fisher, Sioux Falls, for defendant and appellant.

Michael J. Schaffer and Cheryle Wiedmeier of Davenport, Evans, Hurwitz & Smith, Sioux Falls, for defendants and appellants Van Liere & EN-R-G Max.

AMUNDSON, Justice.

Jim Weins and Mac Meyer (often collectively referred to as Weins) asserted a claim for misappropriation of a trade secret against Robert Sporleder (Sporleder), Merle Van Liere and En-R-G Max, Inc. (often collectively referred to as Van Liere), and a contract action against Sporleder. During the trial, Weins amended his complaint to assert various tort claims against Sporleder, Van Liere, and En-R-G Max, Inc. Each claim was submitted to the

jury. A verdict was returned in favor of Weins for compensatory and punitive damages. The trial court later found that the tort claims were displaced by the Uniform Trade Secrets Act and struck the jury's award of punitive damages.[1]

We reverse as to the verdict finding misappropriation of a trade secret.

FACTS AND PROCEDURAL HISTORY

This case involves the development of livestock feed supplements. Van Liere initially retailed feed supplements, later built a feed manufacturing plant and developed a soybean flaking process. Weins was employed with a feed company, TCI, which sold industrial minerals for livestock and liquid supplements for cattle. During his employment, he was involved with formulating feed programs for farmers. Sporleder earned an associate's degree in applied science in animal nutrition and soil sciences. He was also a dealer for TCI for a few years, dealing with the formulation of feed programs.

In 1983, Weins was working on a fermentation idea with yeast and sugar. He discussed the development of a tub product using this fermentation idea with Billy Talbot, an employee of TCI. When the plan never advanced beyond these general discussions, Weins began working with another company in similar employment where he

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[1] This cause of action was consolidated for trial with *Sporleder v. Van Liere & En-R-G Max, Inc.*, 1997 SD 110, 569 N.W.2d 8 (1997) in which *Sporleder* claimed implied contract, unjust enrichment, breach of fiduciary duty, and fraud.

also discussed the production of the tub product with other parties. In 1985, he terminated this employment and moved to Rapid City. Weins then spoke to Frank Parker about retailing and/or manufacturing a tub product, but Parker chose to remain uninvolved. In 1987, Weins first mentioned his idea to Meyer.[2] He also contacted Western Ranch Products regarding the manufacture of his product.

In September of 1988, Weins and Sporleder first met and discussed experimentations with feed products. Within a month, Weins, Meyer, and Sporleder were mixing a batch of feed in a garage. The ingredients included milo flour, En-R-G Flakes, cane molasses, sugar, urea, ethyl alcohol, enzyme and fermentation packages, metal proteinates, vitamins, and iodine. Weins incorporated his fermentation idea by adding sugar and alcohol as limiting agents in initial batches of feed. The test results indicated lack of consistency, as the cattle ate more than a desirable amount.

Other limiting agents were used unsuccessfully until Sporleder suggested the use of phosphoric acid.[3] He acquired the idea from Phil Anderson, who patented a liquid feed product in the 1950's that contained alcohol and phosphoric acid.[4] The use of phosphoric acid as a

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[2] Meyer, the owner of a trucking business, met Weins through a mutual friend. The two then discussed feed sales and began working together.

[3] Limiting agents such as phosphoric acid are used to prevent cattle from overeating.

[4] This patent was later held invalid due to its obviousness. *Rawlings v. National Molasses Co.*, 328 F.Supp. 913, 920 (C.D.Cal.1971).

limiter was also discussed with Robert Riser. The precise results of the phosphoric acid combined in this product were unclear. Initial testing of the product indicated success, but Weins continued to test and perfect it.[5]

Sporleder, Weins, and Meyer then agreed that Sporleder would set up a corporation named "Pro-Energy" and Weins and Meyer would arrange for a patent search. Weins relayed to Sporleder his lawyer's advice that they could not sell the product until they applied for a patent. Apparently, Sporleder was dissatisfied with the delay and contacted another lawyer recommended by Van Liere. Meanwhile, Weins and Meyer decided to abandon the name "Pro-Energy" and use "Ferm-Mix." Thus, Pro-Energy was never incorporated. By March of 1989, Weins and Meyer terminated their relationship with Sporleder. When they applied for a patent, Weins and Meyer were forced to exclude phosphoric acid from their formula since the idea was Sporleder's.[6] The patent application was eventually rejected due to prior art, general knowledge, and ordinary skill in the industry.

Shortly thereafter, Sporleder approached Van Liere with a proposed tub product. Sporleder claims the product was not the same as Weins', because Weins admittedly used fermentation yeast and sugar, while Sporleder used phosphoric acid. Sporleder and Mark VanderVliet

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[5] Such testing was performed on different ranches. Whether the owners of the ranch were informed of the formula for the ingredients in the tub is in dispute.

[6] Phosphoric acid was, however, used in Weins' final product. *See, e.g.*, ¶ 21, *infra*.

tested the product at several farms, but consistency was never achieved.

A series of letters and phone calls between the lawyers, Weins, Meyer, Sporleder, and Van Liere ensued. Among them was an alleged call in March of 1989 between Meyer and Van Liere, in which Meyer told Van Liere and Sporleder to discontinue making their tub product. Van Liere claims he was not making a tub product at that time. Rather, he contends that he was dealing with Sporleder concerning other matters.[7]

Van Liere claims he began manufacturing his own product in May of 1989, using steam-flaked corn, En-R-G Flakes, and base-mixes, along with molasses and phosphoric acid. Testing of the product was conducted and, by August of 1989, there was a marketable product.

On August 26, 1991, the first complaint was filed by Sporleder against Van Liere and En-R-G Max, Inc., claiming unjust enrichment, breach of fiduciary duty, fraud and deceit, and an implied contract claim, all arising from an alleged joint venture. A month later, on September 26, 1991, Weins and Meyer asserted a claim for violation of a trade secret law against Van Liere and En-R-G Max, Inc., as well as a contract action against Sporleder. Weins and Meyer claim the concept they developed of putting a feed supplement in a tub was a trade secret, and that Sporleder, Van Liere, and En-R-G Max, Inc. misappropriated

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[7] Sporleder started a feed company, Winner Circle Feeds (WCF), which was having financial difficulties. Therefore, Van Liere eventually agreed to sell directly to some of WCF's customers in April of 1989.

it. All of the aforementioned causes of action were consolidated for trial.

The trial court initially directed a verdict against Sporleder on his implied contract claim and, during the trial, Weins and Meyer were allowed to amend their complaint to assert various tort claims. After a twelve-day trial, the trial court submitted the remaining claims to the jury. As to Sporleder's causes of action, the jury returned a verdict in favor of Sporleder for $320,000 in compensatory damages and $100,000 in punitive damages against Van Liere and En-R-G Max, Inc. Judgment was entered for $420,000.

As for the remaining causes of action, the jury returned a verdict in favor of Weins and Meyer for $440,000 against Sporleder (50%), Van Liere (25%), and En-R-G Max, Inc. (25%), plus punitive damages of $100,000, $50,000, and $50,000, respectively. The trial court later found that the tort claims (including the claim for punitive damages) were displaced by South Dakota's adoption of the Uniform Trade Secrets Act and struck the jury's award of punitive damages. Judgment was entered for $440,000.

Van Liere appeals, raising the following issues:

I. Whether the Weins verdict is inconsistent.

II. Whether Weins has a trade secret as a matter of law, or in the alternative, whether there is sufficient evidence of a trade secret.

III. Whether there is sufficient evidence of misappropriation.

IV. Whether the trial court improperly instructed the jury.

V. Whether the trial court made proper evidentiary rulings.

VI. Whether the damages awarded by the jury are supported by the evidence, are contrary to law, or are the result of passion and prejudice.

VII. Whether there was misconduct by counsel for Weins during the trial which requires a new trial.

VIII. Whether Weins should have been allowed to file a second amended compliant during the trial.

IX. Whether the costs should be reversed.

Sporleder also appeals as to the jury verdict against him, raising one issue different from Van Liere:

I. Whether the joint venture was terminated.

Weins and Meyer collectively filed notice of review, raising the following issues:

I. Whether the trial court erred in striking the punitive damages awarded by the jury.

II. Whether Weins is entitled to prejudgment interest on the compensatory damages awarded by the jury.

III. Whether punitive damages and attorney's fees should have been awarded on the first cause of action, misappropriation of a trade secret.

DECISION

Sporleder and Van Liere contend the trial court erred in failing to grant a summary judgment, directed verdict, or judgment notwithstanding the verdict on the issue of misappropriation of a trade secret. The standard of review in such instances was identified in *Olson v. Judd*, 534 N.W.2d 850, 852 (S.D.1995). Since a trial court's decision regarding a motion for directed verdict is similar to judgment notwithstanding the verdict, these motions are considered together. *Id.* Evidence is viewed in a light most favorable to the nonmoving party and, if there is "substantial evidence to sustain the cause of action[,]" it is inappropriate to grant a directed verdict or a judgment notwithstanding the verdict. *Id.* (quoting *Weiszhaar Farms, Inc. v. Tobin*, 522 N.W.2d 484 (S.D.1994)). As to the review of a trial court's decision regarding summary judgment, we look for any basis which supports the trial court's ruling. *Easson v. Wagner*, 501 N.W.2d 348, 350 (S.D.1993) (quoting *Waddell v. Dewey County Bank*, 471 N.W.2d 591, 593 (S.D.1991)).

Van Liere and Sporleder claim Weins had no trade secret as a matter of law. The determination as to whether a trade secret exists as a matter of law is of first impression in this Court. We agree with the standard of review applied in a similar case, *Uncle B's Bakery, Inc. v. O'Rourke*, 920 F.Supp. 1405, 1427 (N.D.Iowa1996) (interpreting Iowa law). The court concluded the existence of a trade secret is a mixed question of law and fact. "The 'legal part of the question' is whether the information in question 'could constitute a trade secret under the first part of the definition of trade secret. . . . ' " *Id.* (quoting *Economy Roofing & Insulating Co. v. Zumaris*, 538 N.W.2d 641, 648 (Iowa

1995)). We review such questions of law de novo. *Grode v. Grode*, 1996 SD 15, ¶ 5, 543 N.W.2d 795, 799. "The 'fact part of the question,' on the other hand, arises from the remaining part of the statutory definition found in subdivisions [of the statute]." *Uncle B's Bakery, Inc.*, 920 F.Supp. at 1427 (quoting *Economy Roofing*, 538 N.W.2d at 648). Questions of fact are reviewed applying a clearly erroneous standard. *Grode*, 1996 SD 15, at ¶ 5, 543 N.W.2d at 799.

The question of law pertains to SDCL 37-29-1(4), defining trade secret as "information, including a formula, pattern, compilation, program, device, method, technique or process," whereas the questions of fact involve the remaining subsections which require that the trade secret:

> (i) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and
>
> (ii) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.[8]

The burden is upon Weins to show the existence of a trade secret. *Jensen v. Redevelopment Agency of Sandy City*, 998 F.2d 1550, 1556 (10th Cir.1993); *Mid-America Mtg. Corp. v. Dakota Indus.*, 281 N.W.2d 419, 422 (S.D.1979), *reh'g granted*, 289 N.W.2d 797 (S.D.1980) (the first opinion was decided before the adoption of SDCL ch 37-29). Throughout the proceedings, however, there was never a

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[8] SDCL ch 37-29 is a substantial adoption of the Uniform Trade Secrets Act.

clear assertion as to what exactly was claimed to be the trade secret. Weins' complaint initially refers to the "feed product, and its use and application" as the trade secret. Later in the complaint, Weins states that the "selling and developing of the feed product" is the trade secret. In Weins' amended complaint, there is reference to an "idea," an "invention," a "tub feed product containing a combination of ingredients to be fed free choice," and "selling and developing the feed product" as the trade secret. The second amended complaint refers to the trade secret as a "feeding system." During the trial, Meyer testified the trade secret was the formula alone, while Weins testified the trade secret was not the formula, but the idea of combining ingredients into a tub. In addition, Weins' briefs submitted to this Court fail to assert what exactly constitutes the trade secret.

In a similar case, wherein there was confusion as to what the trade secret was claimed to be, the Eighth Circuit Court of Appeals stated: "The testimony on this count was somewhat confused as Coenco never quite specified what 'trade secrets' had been taken from it. The theory seems to have been that the defendants had stolen [the plaintiff's] ideas as represented by the [product]." *Coenco, Inc. v. Coenco Sales, Inc.*, 940 F.2d 1176, 1178-79 (8th Cir.1991). Ultimately, a judgment notwithstanding the verdict was held to be proper on the grounds that "the evidence failed, as a matter of law, to prompt application of the [trade secrets act]." *Id.* at 1179. Likewise, Weins cannot clearly demonstrate his position on what constitutes the trade secret.

Even if Weins' product was considered a trade secret under the initial requirement stated in SDCL 37-29-1(4), it

fails under subsections (i) and (ii) for lack of sufficient evidence. The first subsection states there must be economic value which is not readily ascertainable by other means. SDCL 37-29-1(4)(i). As stated by the Seventh Circuit Court of Appeals, "[t]his requirement precludes trade secret protection for information generally known within an industry even if not to the public at large." *Mangren Research & Dev. v. National Chem. Co.*, 87 F.3d 937, 942 (7th Cir.1996).

It is undisputed that Weins' product is a combination of well-known feed materials provided as a feed supplement. Specifically, the contents of the end product include milo flour, soybean flakes, cane molasses, sugar, urea, phosphoric acid, ethyl alcohol, an enzyme and fermentation package, metal proteinates (trace metals), and various vitamins. Combining these materials cannot be considered a trade secret if the formula was " 'within the realm of general skills and knowledge' in the relevant industry." *Computer Care v. Service Sys. Enters., Inc.*, 982 F.2d 1063, 1072 (7th Cir.1992) (quoting *Service Ctrs. of Chicago, Inc. v. Minogue*, 180 Ill.App.3d 447, 129 Ill.Dec. 367, 371, 535 N.E.2d 1132, 1136 (1989)); *see also Nickelson v. General Motors Corp.*, 361 F.2d 196, 199 (7th Cir.1966) (holding that since the process of chrome-plating was commonly known and used in the industry, there was no trade secret) (applying tort law before the enactment of the Uniform Trade Secret [sic] Act). Thus, the focus turns to the " 'ease with which information can be developed through other proper means: if the information can be readily duplicated without involving considerable time, effort or expense, then it is not secret.' " *Computer Care*, 982 F.2d at 1072 (quoting *Hamer Holding Group, Inc. v.*

Elmore, 202 Ill.App.3d 994, 148 Ill.Dec. 310, 311, 560 N.E.2d 907, 908 (1990)); *see also Coenco, Inc.*, 940 F.2d at 1179 (noting testimony revealed the product was "readily ascertainable by proper means").

The ease with which one can develop a similar product is examined by focusing on the time and expense involved. *See Computer Care*, 982 F.2d at 1072; *Pioneer Hi-Bred Int'l v. Holden Found. Seeds, Inc.*, 35 F.3d 1226, 1236 (8th Cir.1994) (quoting Peter J. Courture, "Independent Derivation and Reverse Engineering," in *Trade Secret Protection and Litigation: Protecting Confidential Business and Technical Information* 623 (PLI Patents, Copyrights, Trademarks & Literary Property Course Handbook Series No. 340, 1992)). An expert testified as to the ease of determining the contents of a feed product. By microscopy, the formula of a feed product can be established in twenty minutes. Further testimony revealed that a chemical analysis would take at most four or five days, costing around $27. This testimony clearly demonstrates the ease of duplicating Weins' formula. *See, e.g., Computer Care*, 982 F.2d at 1075 (stating, "Computer Care's system is readily replicable by anyone who has been exposed to its various components; one need not also have knowledge of a special formula or technique for combining those components.").

Furthermore, reasonable minds could not have differed as to the determination of whether the economic value of Weins' product was readily ascertainable by other means. *See id.*; SDCL 37-29-1(4)(i). Weins offered no evidence that the use of phosphoric acid to limit consumption in feed products was not readily ascertainable by other persons. In fact, Phil Anderson was granted a

patent along with Frank N. Rawlings on a feed supplement containing molasses, urea, and phosphoric acid for use as a liquid, free-choice feed supplement for ruminants.[9] In other words, the product used phosphoric acid as a consumption limiter, similar to Weins' final product.

In addition, Weins actually admitted that the ingredients in his product were readily available in the market, and that it was common knowledge in the feed industry that these kinds of ingredients are used to formulate feed supplements.[10] We are reminded that one cannot claim a better version of the facts than prior testimony demonstrates. *Parkhurst v. Burkel*, 1996 SD 19, ¶ 19, 544 N.W.2d 210, 214 (1996). Basically, Weins agreed with the opinion of the patent examiner who rejected Weins' patent claim on the product because his "composition is merely a

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[9] As we noted in footnote 3, this patent was challenged in Rawlings, wherein the court held the patent was invalid because prior art disclosed its obviousness. 328 F.Supp. at 920.

[10] Weins testified as follows:

> Counsel: The ingredients that you used in your recipe, were those ingredients that were available on the market?
>
> Weins: Yes, they were.
>
> Counsel: All right. Could you buy them – Anybody could go buy them; right?
>
> Weins: Yes.
>
> Counsel: And isn't it common knowledge in the feed industry that these kind of ingredients are used to formulate feed supplements?
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> Weins: That is common knowledge, with the understanding, the right combination of ingredients will make feed much better.

combination of well-known feed materials provided as a feed supplement for their known and expected functions." Weins' patent application was ultimately denied by the United States Patent Office based upon obviousness, reinforcing the determination that Weins' product is not a trade secret as a matter of law. *See R & R Plastics, Inc. v. F.E. Myers Co.*, 92 Ohio App.3d 789, 637 N.E.2d 332, 340 (1993) (stating the obvious nature of a product was relevant when determining whether it was a trade secret).[11]

Facts similar to this case, which assist with the determination of the existence of a trade secret as a matter of law, are found in *TGC Corp. v. HTM Sports, B.V.*, 896 F.Supp. 751, 753 (E.D.Tenn.1995), wherein a jury returned a verdict in favor of a glove manufacturer (TGC) on its trade secret misappropriation claim. The defendant, a corporation which agreed to market the gloves (HTM), then made a motion for judgment as a matter of law, claiming the evidence did not support the jury's determination. The District Court in Tennessee agreed, holding there was no trade secret as a matter of law. *Id.* at 763.[12]

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[11] However, the jury in the case at hand was instructed to disregard the patent exhibits when determining whether a trade secret exists.

[12] For a review of case law dealing with the determination of trade secret as a matter of law, *see Bateman v. Mnemonics, Inc.*, 79 F.3d 1532, 1549-50 (11th Cir.1996) (holding it was error to grant a directed verdict and/or judgment notwithstanding the verdict because there was insufficient evidence to prove the existence of an implied confidential relationship, which was the sole basis for the trade secret misappropriation claim); *Bridge Publications, Inc. v. Vien*, 827 F.Supp. 629, 632-34 (S.D.Cal.1993) (affirming a summary judgment in favor of the plaintiff because

Although TGC contended a certain feature of the glove, the seamless palm, was a trade secret, the court held that because the idea of a seamless palm was public knowledge, it cannot be a trade secret.[13] TGC further argued that a trade secret existed because it was the first to use the seamless palm design in a golf glove or a racquetball glove. *Id.* at 757. The court responded by stating: " 'Simply being the first or only one to use certain information does not in and of itself transform otherwise general knowledge into a trade secret.' " *Id.* (quoting *Computer Care*, 982 F.2d at 1073 (quoting *Service Centers of Chicago, Inc.*, 129 Ill.Dec. 367 at 371, 535 N.E.2d at 1136)). TGC also maintained that the way in which the seamless palm was manufactured (counterstretching) was a trade secret. *Id.* at 758. The court held that counterstretching was a conclusion to be easily drawn, lacked novelty, was generally known in the trade, was used by others, and was "easily ascertained or duplicated." *Id.* at 758-59.

Similarly, as we noted previously, although the feed product is claimed by Weins to be a trade secret, all of the ingredients therein are public knowledge. Furthermore, being the first to combine the ingredients is of no assistance to the claim of trade secret. Weins also claims the process used to combine the ingredients was the trade secret, but such a combination is easily duplicated, thereby preventing it from being a trade secret.

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no factual dispute existed regarding secrecy of materials or economic value thereof).

[13] A glove with a seamless palm is comprised of "a pattern of five pieces sewn together with a 'gunn cut' and with single seams around the fingers." *Id.* at 757.

In addition, there was no substantial evidence showing Weins took reasonable efforts to maintain his product's secrecy. SDCL 37-29-1(4)(ii). Secrecy is fundamental to the existence of a trade secret. *Pioneer Hi-Bred Int'l*, 35 F.3d at 1235. Although the secrecy is not required to be absolute, reasonable precautions must be taken. *Id.* Regarding such precautions, the Appellate Court of Illinois held:

> [N]o evidence exists to show that plaintiff took any affirmative measures to keep its [product] secret. No evidence was presented regarding internal or external physical security; that confidentiality agreements or understanding existed among those having access to plaintiff's [product]; that plaintiff's [product] contained confidentiality stamps or [was] kept under lock and key; or that employees received entrance and exit interviews imparting the importance of confidentiality. Consequently, we conclude that plaintiff failed to produce sufficient evidence to prove that under [the relevant section] of the [Trade Secrets] Act, its [product] was the subject of reasonable efforts designed to protect its secrecy.

Gillis Associated Indus. v. Cari-All, 206 Ill.App.3d 184, 151 Ill.Dec. 426, 431, 564 N.E.2d 881, 886 (1990) (applying the same subsection as SDCL 37-29-1(4)(ii)).

Again, the application of *TGC* is helpful. The sizing specifications of the gloves in *TGC* were claimed to be a trade secret, but the court found the size of a glove can be duplicated by merely viewing it, and "[m]atters disclosed by a marketable product cannot be a secret." 896 F.Supp. at 760. Likewise, in the present case, the idea of putting

the feed in a tub cannot be considered a trade secret since the tub is viewable. In addition, feed supplements were placed in similar containers before the idea of using tubs. Among a few other remaining claims concerning the existence of a trade secret in *TGC* was the combination of the components. *Id.* at 760. Responding to this claim, the court stated,

> [T]he clear weight of the evidence is that TGC did not have confidential agreements. . . . Yet, TGC gave both those firms the necessary information with which to make the TGC glove. The voluntary disclosure of "any alleged 'trade secret' as part of a business transaction without any reservation or agreement of confidentiality prevents recognition of the information as a 'trade secret.' "

Id. at 760-61 (quoting *Turner v. Great Am. Opportunities, Inc.*, 716 S.W.2d 40, 44 (Tenn.Ct.App.1986)). Similarly, Weins fails to demonstrate active measures were taken to maintain his product's secrecy. For example, Weins and Meyer discussed manufacturing and marketing the product with persons from other companies. They admit that numerous people were aware of the product, yet no confidentiality agreements were signed. Tubs were left in areas making them visible to others, and they tested their product on many different ranches. While Weins lists persons who allegedly were not informed of the formula, he fails to dispute the aforementioned incidences demonstrating the lack of secrecy. A few instances of nondisclosure of the alleged secret do not amount to "reasonable efforts" to maintain secrecy. *See Nordale, Inc. v. Samsco, Inc.*, 830 F.Supp. 1263, 1274 (D.Minn.1993) (holding summary judgment was proper because plaintiff

failed to demonstrate an intention to keep the information secret, i.e., there was no notice to others regarding *confidentiality). Furthermore, although confidentiality* agreements are not always necessary, there must be other precautions. *Swift Bros. v. Swift & Sons, Inc.*, 921 F.Supp. 267, 277 (E.D.Pa.1995). There were no such precautions constituting "reasonable efforts" in this case.

Viewing the evidence most favorably to Weins, we conclude that no substantial evidence exists which demonstrates Weins' product possesses economic value not readily ascertainable by other means pursuant to SDCL 37-29-1(4)(i), or that Weins maintained the product's secrecy according to SDCL 37-29-1(4)(ii). Therefore, the trial court erred when it denied the motions for directed verdict and/or judgment notwithstanding the verdict.

Even if a trade secret was involved in this case, there was no misappropriation. Misappropriation means:

(i) Acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or

(ii) Disclosure or use of a trade secret of another without express or implied consent by a person who:

(A) Used improper means to acquire knowledge of the trade secret; or

(B) At the time of disclosure or use, knew or had reason to know that such knowledge of the trade secret was:

(I) Derived from or through a person who had utilized improper means to acquire it;

(II) Acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or

(III) Derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use[.]

SDCL 37-29-1(2). Weins and Meyer have the burden of proving Sporleder and Van Liere misappropriated the trade secret pursuant to this statute. Such a burden includes proving there was an improper acquisition of the so-called formula. "Improper" is defined to include "theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means[.]" SDCL 37-29-1(1). Weins and Meyer cannot prove such improper acquisition, since the kind of ingredients used in their product to formulate feed supplements are of common knowledge even by Weins' own admission. As stated in *Computer Care*, a protectable trade secret cannot be established when a formula is easily duplicated using commonly known ingredients. 982 F.2d at 1075; *see also American Antenna Corp. v. Amperex Elec. Corp.*, 190 Ill.App.3d 535, 137 Ill.Dec. 417, 420, 546 N.E.2d 41, 44 (1989) (holding there was no trade secret misappropriation as a matter of law when no improper acquisition could be shown).

Furthermore, Weins has not shown that Van Liere and Sporleder actually used the formula. No evidence exists proving the product ultimately mixed by Van Liere and Sporleder was *exactly* the same as Weins' product. In fact, Weins admitted the products were not the same during his testimony. Weins' product includes sugar,

yeast, and alcohol, making it a sweet, fermentation product, while Van Liere's product is a natural, texturized product. Van Liere's expert testified the products are considerably different. Although Weins' expert stated the products were substantially similar, he never actually examined the formula. Since Van Liere and Sporleder's end product was at least somewhat different from Weins' product, it is clear that independent thought was used to obtain the result. *See, e.g., TGC*, 896 F.Supp. at 761 (stating that since the end product was different than the original design, there was no indication that the trade secret was even used). Certainly Van Liere and Sporleder cannot be prevented from applying their independent ideas and knowledge in the industry.

Due to our holding on the trade secret issue, we need not address the remaining issues in this case. We reverse and direct a judgment consistent with this opinion.

MILLER, C.J., and KONENKAMP and GILBERTSON, JJ., concur.

SABERS, J., dissents.

SABERS, Justice (dissenting).

THERE IS SUBSTANTIAL EVIDENCE TO SUPPORT THE JURY'S CONCLUSION THAT THE FORMULA CONSTITUTED A TRADE SECRET.

The Uniform Trade Secret Act (UTSA) is codified at SDCL ch 37-29. Whether something is a "trade secret" hinges on SDCL 37-29-1(4), which provides:

> (4) "Trade secret," [is defined as] information, including a formula, pattern, compilation, program, device, method, technique or process, that:
>
> > (i) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and
> >
> > (ii) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

As noted by the majority opinion, this statute requires a two-part analysis, one legal and one factual.

The legal question, whether the information in question constitutes a trade secret as "a formula, pattern, compilation, program, device, method, technique or process," presents a question of law for the trial court. *See Economy Roofing & Insulating v. Zumaris*, 538 N.W.2d 641, 648 (Iowa 1995); *see also US West Communications v. Office of Consumer Advocate*, 498 N.W.2d 711, 714 (Iowa 1993):

> Trade secrets can range from customer information, to financial information, to *information about manufacturing processes to the composition of products*. There is virtually no category of information that cannot, as long as the information is protected from disclosure to the public, constitute a trade secret.

(Quoting Thomas J. Collin, *Determining Whether Information is a Trade Secret Under Ohio Law*, 19 UTolLRev 543, 545 (1988)) (emphasis added). The majority opinion concludes, as a matter of law, that no trade secret existed

because "there was never a clear assertion as to what exactly was claimed to be the trade secret." *Supra* ¶ 18.[14] On the contrary, it is obvious that the product at issue is a certain livestock feed mixture. For example, Weins asserted in his brief that the product in question was

> a feed that could be used anywhere, (not subject to freezing like the Anderson product), that took advantage of the fermenting process using a yeast and sugar process and that would be self limiting. [Unlike Anderson's product,] Weins, Meyer and Sporleder developed a dry product.

The fact part of the question arises from the remaining portion of the definition in subdivisions (i) and (ii). *Economy Roofing*, 538 N.W.2d at 648-49 (construing identical statute); *see also Gold Messenger, Inc. v. McGuay*, 937 P.2d 907, 911 (Colo.Ct.App.1997) ("What constitutes a trade secret is a question of fact[.]") (citation omitted). I submit that the majority opinion is relitigating facts which were properly presented to and decided by the jury.

We interpret the facts on a basis most favorable to upholding the jury's verdict.

> Our standard of review of the circuit court's denial of a directed verdict and of the jury's determination in favor of [the] plaintiff is well

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[14] The majority opinion's reliance on *Coenco, Inc. v. Coenco Sales, Inc.*, 940 F.2d 1176 (8th Cir.1991), is misplaced. *Supra* ¶ 19. The Coenco court affirmed the grant of judgment notwithstanding the verdict, *not* because plaintiffs did not specify what constituted the "trade secret," but because the plaintiff failed to prove either of the *factual* elements of the statute. *Id.* at 1179.

> established. We must examine the evidence in the light most favorable to the non-moving party and give [her] the benefit of all reasonable inferences. *Robinson v. Mudlin*, 273 N.W.2d 753, 755 (S.D.1979). The moving party is entitled to evidentiary consideration *only where its evidence is uncontradicted or tends to amplify, clarify or explain the evidence in support of the verdict of the jury for the prevailing party. Nugent v. Quam*, 82 S.D. 583, 152 N.W.2d 371, 374 (1967).
>
> In such a context, it becomes our task to review the record and determine whether there is any substantial evidence to allow reasonable minds to differ. *Haggar v. Olfert*, 387 N.W.2d 45 (S.D.1986). *This court does not weigh the evidence and substitute its judgment for that of the jury. Robinson, supra; Berg v. Sukup Mfg.*, 355 N.W.2d 833, 835 (S.D.1984).

Landstrom v. Shaver, 1997 SD 25, ¶ 72., 561 N.W.2d 1, 16 (quoting *Westover v. East River Elec. Power Coop.*, 488 N.W.2d 892, 896 (S.D.1992)) (emphasis added); "This court does not decide factual issues de novo." *In re A.R.P.*, 519 N.W.2d 56, 61 (S.D.1994) (citations omitted).

> It is the jury, not the court, which is the fact-finding body. It weighs the contradictory evidence and inferences, judges the credibility of witnesses, receives expert instructions, and draws the ultimate conclusion as to the facts. The very essence of its function is to select from among conflicting inferences and conclusions that which it considers most reasonable.

Fajardo v. Cammack, 322 N.W.2d 873, 878 (S.D.1982) (Wollman, C.J., concurring specially) (citations omitted); *see also Overholt Crop Ins. Serv. Co. v. Travis*, 941 F.2d 1361,

1369 (8th Cir.1991) (construing SDCL 37-29-1(4) and noting that the *jury* was properly instructed regarding subdivision (ii)).

The jury was properly instructed regarding trade secrets. Instruction 19 was taken verbatim from SDCL 37-29-1(4), and the jury decided the question based on that instruction.

> Jurors are deemed to be reasonably intelligent. *Allen v. McLain*, 75 S.D. 520, 69 N.W.2d 390 (1955). It is also presumed that a jury understands and follows the court's instructions. *Giltner v. Stark*, 219 N.W.2d 700 (Iowa 1974). In addition, a jury verdict may be read in light of the pleadings in the case, the issues presented by the evidence, and the charge made to the jury. *NEDA Const. Co., Inc. v. Jenkins*, 137 Ga.App. 344, 223 S.E.2d 732 (1976).

Mid-America Mktg. Corp. v. Dakota Indus., Inc., 289 N.W.2d 797, 799 (S.D.1980) (upholding jury verdict which concluded misappropriation of a trade secret occurred).

The first factual element of the statute requires that the product "[derive] independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use[.]" The majority opinion substitutes its judgment for that of the jury and the trial court and concludes that "reasonable minds could not have differed as to [this] determination." *Supra* ¶ 23. What this statement fails to recognize is that reasonable minds *do* differ on this issue, i.e., the jury and the judge reached a conclusion with which the majority opinion disagrees.

The appellants focus on the fact that phosphoric acid was readily known as a potential limiting agent in livestock feed.[15] However, the heart of this issue seems to concern the "Limiter One, Limiter Two, and Limiter Three" use of phosphoric acid in the product.[16] Van Liere testified that his employee formed the idea for a three-stage application of this ingredient, which was incorporated into the En-R-G-Max product. Weins testified that it was his idea. Credibility questions are for the jury. *Fajardo, supra*. Similarly, when expert testimony conflicts,

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[15] But *see Rivendell Forest Prod. v. Georgia-Pacific Corp.*, 824 F.Supp. 961, 967 (D.Colo.1993), *rev'd on other grounds*, 28 F.3d 1042 (10th Cir.1994), (collecting cases and noting that general, well-known concepts are not protectable as trade secrets, but specific implementation of their combination may be). Additionally, the majority opinion's claim that rejection of the patent application reinforces the determination that Weins' product is not a trade secret (*supra* ¶ 24) is without merit. "[N]ovelty and invention are not requisite for a trade secret as they are for patentability . . . The protection is merely against breach of faith and reprehensible means of learning another's secret." *Id.* at 967 (quoting *Kodekey Elec., Inc. v. Mechanex Corp.*, 486 F.2d 449, 455 (10th Cir.1973) (emphasis omitted)).

[16] While the majority opinion maintains that the ingredients were readily ascertainable, no proof was offered to show that any other company was utilizing the three-stage process. See, e.g., *Bestechnologies, Inc. v. Trident Envtl. Sys., Inc.*, 681 So.2d 1175, 1176 (Fla.Dist.Ct.App.1996) ("[T]he fact that every competitor had discovered the same process might be relevant to establish that the information was 'generally known' and 'readily ascertainable' to competitors."). Furthermore, Sporleder's expert did not testify that *this* feed product could be analyzed in 20 minutes or five days (*supra* ¶ 22). "The value of an expert's opinion is no better than the facts upon which it is based." *LDL Cattle Co. v. Guetter*, 1996 SD 22, ¶ 22, 544 N.W.2d 523, 528 (1996) (citation omitted).

it is up to the jury to determine which testimony to accept. "It is well established . . . that the jury is not obligated to accept an expert's opinion and may disregard the testimony if it desires." *Andreson v. Black Hills Power & Light Co.*, 1997 SD 12, ¶ 10, 559 N.W.2d 886, 889 (1997) (citations omitted); *see also LDL Cattle Co., Inc. v. Guetter*, 1996 SD 22, ¶ 22, 544 N.W.2d 523, 528 (1996) (stating that the "purpose of expert testimony is to assist the jury as the trier of fact and not to supplant it.") (citations omitted).

The second factual element provides that the information must be "the subject of efforts that are reasonable under the circumstances to maintain its secrecy." The majority opinion states that "Weins fails to demonstrate active measures were taken to maintain his product's secrecy." *Supra* ¶ 28. However, the evidence shows that none of the people who allowed testing on their livestock were aware of the formula of the feed. Weins may have discussed manufacturing his product with other companies, yet there was no evidence that the formula was divulged during these conversations. In fact, no one testified that Weins or Meyer ever disclosed the formula. The jury could reasonably conclude that nondisclosure of the formula during the development and testing stages constituted "efforts that are reasonable under the circumstances to maintain its secrecy," and there is substantial, uncontradicted evidence to support that conclusion.

THERE IS SUBSTANTIAL EVIDENCE TO SUPPORT THE JURY'S CONCLUSION THAT SPORLEDER MISAPPROPRIATED A TRADE SECRET.

Whether Sporleder misappropriated Weins' trade secret is governed by SDCL 37-29-1(2), which provides:

> (2) "Misappropriation,"
>
> (i) Acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper[17] means; or
>
> (ii) Disclosure or use of a trade secret of another without express or implied consent by a person who:
>
> (A) Used improper means to acquire knowledge of the trade secret; or
>
> (B) At the time of disclosure or use, knew or had reason to know that such knowledge of the trade secret was:
>
> (I) Derived from or through a person who had utilized improper means to acquire it;
>
> (II) Acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or
>
> (III) Derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or

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[17] "Improper" is also defined by UTSA:

> "Improper," includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means[.]

SDCL 37-29-1(1).

> (C) Before a material change of position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake[.]

Whether Sporleder misappropriated a trade secret depends upon whether he "[acquired it] under circumstances giving rise to a duty to maintain its secrecy or limit its use." *Id.* (2)(ii)(B)(II). The jury indicated on the verdict form that Sporleder breached his fiduciary relationship with Weins. The prefatory note to the UTSA indicates one of its purposes is to provide a single statute of limitations for "violation of fiduciary relationship theories of noncontractual liability utilized at common law." 14 ULA *Uniform Trade Secrets Act* 433, 435 (1990). Fiduciary duties are not inherent in normal arm's-length business relationships. *Ward v. Lange*, 1996 SD 113, ¶ 12, 553 N.W.2d 246, 250 (1996) (citations omitted). However, a fiduciary relationship may be created when two or more parties engage in certain other business alliances. *See, e.g., Case v. Murdock*, 488 N.W.2d 885, 889-90 (S.D.1992) (officers and directors of a corporation owe fiduciary duty to shareholders); *Garrett v. BankWest, Inc.*, 459 N.W.2d 833, 838 (S.D.1990) (acknowledging there may be circumstances where a banker owes a fiduciary duty to its borrower); *Rosebud Sioux Tribe v. Strain*, 432 N.W.2d 259, 264 (S.D.1988) (attorney-client).[18]

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[18] This is not intended as an exhaustive list of the relationships in which fiduciary duties may arise.

A fiduciary relationship is created when two or more persons engage in a "joint venture." *See* 48A CJS *Joint Ventures* § 24, at 442-44 (1981):

> Generally, the parties to a joint venture stand in a fiduciary relation, each to the other, or in a close relationship of trust and confidence, and are bound by the same standards of good conduct and square dealing as are required between partners.

(Collecting cases). The jury was properly instructed[19] regarding joint ventures:

> The elements of a joint venture are:
>
> (1) an intent to enter into a joint venture;
>
> (2) an agreement, express or implied, among members of a group;
>
> (3) a common purpose to be carried out by the group;
>
> (4) a joint pecuniary interest in that purpose among the members;
>
> (5) an equal right to a voice in the direction and control of the group; and
>
> (6) a right to share in the profits and a duty to share in any losses.

Instruction 31. As noted, the jury found that Sporleder breached his fiduciary duty to Weins. Our task is simply to determine whether there is substantial evidence to

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[19] The instruction comports with this court's discussion of joint ventures in *Ethan Dairy Products v. Austin*, 448 N.W.2d 226, 228 (S.D.1989).

support that conclusion. *Landstrom*, 1997 SD 25 at ¶ 72, 561 N.W.2d at 16.

Sporleder argues that he could not misappropriate the formula employing phosphoric acid as a limiter because he brought the knowledge of that chemical's usefulness to the joint venture. Furthermore, he argues, he continued to test his product *after* his relationship with Weins ended. Therefore, he claims that he could not misappropriate an idea which was his own. His claim fails for several reasons.

First, it is undisputed that Sporleder and Weins together developed and tested a livestock feed formula. Along the way, they certainly learned what "worked" as well as what did not. *See Morton v. Rank America, Inc.*, 812 F.Supp. 1062, 1073 (C.D.Cal.1993) ("Certain 'negative' research may also result in the creation of protectable information.") (citing *Courtesy Temp. Serv. v. Camacho*, 222 Cal.App.3d 1278, 272 Cal.Rptr. 352, 358 (1990)); *cf. Uncle B's Bakery, Inc. v. O'Rourke*, 920 F.Supp. 1405, 1435 (N.D.Iowa 1996) (*Uncle B's I*) (enjoining plaintiff's former employee from divulging trade secrets and noting that "if the disclosure allows a competitor to cut corners in the research and development process . . . the competitor will attain a competing product that much sooner . . . this harm [is] irreparable") (the injunction was continued but modified in *Uncle B's Bakery, Inc. v. O'Rourke*, 938 F.Supp. 1450 (N.D.Iowa 1996) (*Uncle B's II*)). In effect, they became joint owners of the research and the formula. *See Morton*, 812 F.Supp. at 1074:

> The Defendants have also failed to cite to any authority indicating that the misappropriation of a trade secret by a joint owner of that

> trade secret does not constitute the misappropriation of the trade secret "of another." Indeed, [the equivalent of SDCL 37-29-1(2)(ii)(B)(II)] appears to contemplate exactly this situation. . . . [I]t is reasonable to conclude that one party's use of the trade secrets that affects the other party's right in the [alleged trade secrets] would constitute the misappropriation of the trade secrets "of another."

Accord B.F. Gladding & Co. v. Scientific Anglers, 245 F.2d 722, 729 (6th Cir.1957) (pre-UTSA case) ("Even without any specific mention in the contract joint trade secrets would be protected against unlawful disclosure by one of the parties.").

Second, the fact that Sporleder and Weins continued to independently test the formula, resulting in variations in the final product is no bar to a misappropriation claim. *See, e.g., Richardson v. Suzuki Motor Co., Ltd.*, 868 F.2d 1226, 1244 (Fed.Cir.1989), *cert. denied*, 493 U.S. 853, 110 S.Ct. 154, 107 L.Ed.2d 112 (1989) ("Defendants cannot escape responsibility by showing that they have improved upon or modified the plaintiff's process . . . minor variations are to be expected.") (citations omitted); *see also Mangren Research & Dev. Corp. v. National Chem. Co., Inc.*, 87 F.3d 937, 944 (7th Cir.1996) ("[I]f trade secret law were not flexible enough to encompass modified or even new products that are substantially derived from the trade secret of another, the protections that law provides would be hollow indeed."). Subsequent improvements made by either party may constitute distinct trade secrets also protected against misappropriation.

Third, Sporleder's claim that the joint venture ended before he began to market his product is not a defense to misappropriation.

> Whether a party to a joint venture has the right to withdraw from it, and what the effect of such withdrawal will be, depends upon the terms of the agreement and upon the circumstances. Generally, *where the purposes of the enterprise have not been fulfilled, no party has the right to withdraw from or abandon it without the consent of coventurers. . . .*
>
> Although dissension may provide a sufficient ground for dissolution of the venture by a decree of a court of equity, *in the absence of such a decree, or of an agreement fixing the time of termination or a voluntary abandonment of the enterprise by one of the parties, the agreement remains in force until its purpose has been accomplished or has become impossible of fulfillment. While the agreement is in force, ordinarily one joint venturer has no right to exclude another, or to withdraw himself from the arrangement, in order to act independently in respect to the subject matter. If he does so and thereafter pursues the enterprise alone, he may be compelled to share the benefits with his former associates.*

46 AmJur2d *Joint Ventures* § 31, at 59-60 (1994) (collecting cases) (emphasis added). Therefore, Sporleder's claims and defenses are without merit and the jury properly rejected them.

There is substantial evidence in the record to support the jury's conclusion that Sporleder misappropriated a trade secret.

In view of all of the above, I would affirm these two issues and reach the rest of the issues set forth in ¶ 14 of the majority opinion.

APPENDIX 2

IN THE SUPREME COURT

OF THE

STATE OF SOUTH DAKOTA

* * *

JIM WEINS and MAC MEYER,	)	**ORDER DENYING REHEARING**
Plaintiffs and Appellees,	)	**#19307, #19308, #19310, #19315**
vs.	)	
ROBERT SPORLEDER, MERLE VAN LIERE and EN-R-G MAX, INC.,	)	(Filed Oct. 09, 1997)
Defendants and Appellants.	)	

A petition for rehearing in the above cause having been filed September 22, 1997, and no issue or question of law or fact appearing to have been overlooked or misapprehended, and more than fifteen days having elapsed therefrom and no written statement having been filed with the Clerk of this Court by a majority of the justices requesting a rehearing, now, therefore, in accordance with the Rehearing Procedure Rule of this Court, the petition for rehearing is denied.

DATED at Pierre, South Dakota, this 9th day of October, 1997.

BY THE COURT:

/s/ Robert A. Miller
Robert A. Miller, Chief Justice

ATTEST:

/s/ Gloria A. Engel
Clerk of the Supreme Court
(SEAL)

APPENDIX 3

605 NORTH WESTERN REPORTER, 2d SERIES

2000 SD 10

**Jim WEINS and Mac Meyer,
Plaintiffs and Appellees,**

v.

Robert A. SPORLEDER, Defendant,

and

**Merle Van Liere, and En-R-G
Max, Inc., Defendants
and Appellants.**

No. 20858.

Supreme Court of South Dakota.

Considered on Briefs Sept. 15, 1999.

Decided Jan. 26, 2000.

David V. Vrooman, Sioux Falls, Rick Johnson of Johnson, Eklund, Nicholson, Peterson & Fox, Gregory, for plaintiffs and appellees.

Cheryle Wiedmeier Gering of Davenport, Evans, Hurwitz & Smith, L.L.P., Sioux Falls, for defendants appellants.

LEE D. ANDERSON, Circuit Judge.

[¶ 1.] Merle Van Liere (Van Liere) and En-R-G Max, Inc. (En-R-G Max) appeal the trial court's amended judgment reinstating an award of $440,000 in general damages, $200,000 in punitive damages, and costs to Jim Weins (Weins) and Mac Meyer (Meyer). We reverse and

direct the trial court to enter judgment in favor of Van Liere and En-R-G Max.

FACTS

[¶ 2.] The underlying facts of this case are set forth in *Weins v. Sporleder*, 1997 SD 111, 569 N.W.2d 16. In 1991 Weins and Meyer asserted claims for violation of a trade secret law against Robert Sporleder (Sporleder), Van Liere, and En-R-G Max as well as a claim for breach of contract against Sporleder. *Weins*, 1997 SD 111 at ¶ 11, 569 N.W.2d at 19. After a twelve-day trial the trial court submitted the following claims to the jury on behalf of Weins and Meyer: a breach of contract claim against Sporleder, and claims for misappropriation of a trade secret, breach of fiduciary duty, and fraud and deceit against Sporleder, Van Liere, and En-R-G Max. The jury found against Sporleder on all counts. The jury found that Van Liere and En-R-G Max had not breached any fiduciary duty, but did find against them on the trade secret and fraud and deceit claims. *Weins*, 1997 SD 111 at ¶ 12, 569 N.W.2d at 19.

[¶ 3.] The jury awarded compensatory damages to Weins and Meyer for $440,000 apportioned as follows: 50% Sporleder, 25% Van Liere, and 25% En-R-G Max. In addition, the jury awarded punitive damages against Sporleder in the amount of $100,000, against Van Liere for $50,000, and against En-R-G Max for $50,000. *Weins*, 1997 SD 111 at ¶ 13, 569 N.W.2d at 19.

[¶ 4.] After trial, Weins and Meyer filed motions seeking prejudgment interest and punitive damages. The trial court denied both requests. The trial court held that

the tort claims asserted by Weins and Meyer were displaced by the Uniform Trade Secrets Act, SDCL 37-29-7.[1] It struck the punitive damages awarded by the jury on the tort claims. It also determined that punitive damages were not warranted under the Uniform Trade Secrets Act (SDCL 37-29-3(b)), because there had been no showing of willful and malicious misappropriation. The trial court entered judgment in favor of Weins and Meyer for $440,000.00 in compensatory damages, plus costs of $3,875.72.

[¶ 5.] Van Liere and En-R-G Max, Inc. moved for a new trial, or, alternatively, for judgment notwithstanding the verdict. The trial court denied these motions, resulting in the first appeal to this Court. There we held that no trade secret existed under the facts of the case and that even if a trade secret was involved, there was no misappropriation. We concluded, "the trial court erred when it denied the motions for directed verdict and/or judgment notwithstanding the verdict." *Weins*, 1997 SD 111 at ¶ 29, 569 N.W.2d at 23. After concluding as a matter of law that

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[1] SDCL 37-29-7 provides:

(a) Except as provided in subsection (b), this chapter displaces conflicting tort, restitutionary and other law of this state providing civil remedies for misappropriation of a trade secret.

(b) This chapter does not affect:

(1) Contractual remedies, whether or not based upon misappropriation of a trade secret;

(2) Other civil remedies that are not based upon misappropriation of a trade secret; or

(3) Criminal remedies, whether or not based upon misappropriation of a trade secret.

Weins and Meyer did not have a trade secret, we stated "Due to our holding on the trade secret issue, we need not address the remaining issues in this case. We reverse and direct a judgment consistent with this opinion." *Weins*, 1997 SD 111 at ¶ 32, 569 N.W.2d at 24.

[¶ 6.] After remand to the trial court Weins and Meyer filed a motion to amend judgment. Van Liere and En-R-G Max sought dismissal of this motion claiming no proceedings were held within one year of this Court's decision, SDCL 15-30-16, making the motion untimely. The trial court denied the motion to dismiss. In addition, the trial court examined the Uniform Trade Secrets Act, SDCL 37-29-7. It concluded that since this Court found there was no trade secret, the jury's verdict based on the tort claims, including the fraud and deceit claims against Van Liere and En-R-G Max, should be reinstated.[2] The

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[2] The trial court said:

> Further, the Supreme Court found there to be no trade secret, reversed and direct[ed] a judgment consistent with their opinion. Based on the above line of cases and the comment to section 7, with there being no trade secret, the damages found by the jury, based on causes of action other than trade secret, are not inconsistent with SDCL 37-29-3 or SDCL 37-29-7. This court will enter a judgment for $440,000 on the jury verdict for breach of an oral contract and breach of a fiduciary or confidential relationship against Sporleder and for fraud and deceit against Robert Sporleder[,] Van Liere, and En-R-G Max, Inc. and reinstate the award of punitive damages of $200,000 as determined by the jury since based on the Supreme Court opinion there is no trade secret and thus no conflict with the punitive damages found by the jury.

trial court entered an amended judgment reinstating the jury's original verdict.

[¶ 7.] Van Liere and En-R-G Max[3] appeal from the amended judgment in favor of Weins and Meyer and raise the following issues:

1. Did the trial court have jurisdiction to enter the amended judgment?

2. Was the amended judgment properly allowed pursuant to SDCL 37-29-7?

3. Did the trial court properly deny the motion to dismiss pursuant to SDCL 15-30-16?

4. Did Weins and Meyer waive any right to assert argument relied upon by trial court in entering the amended judgment?

STANDARD OF REVIEW

[¶ 8.] Issues of jurisdiction may be raised by this Court sua sponte. *Bohlmann v. Lindquist*, 1997 SD 42, 562 N.W.2d 578. Whether the tort claims of Weins and Meyer were displaced by SDCL 37-29-7 is a conclusion of law which is reviewed de novo. *State, Div. of Ins. v. Norwest Corp.*, 1998 SD 61, 581 N.W.2d 158.

ANALYSIS AND DECISION

[¶ 9.] The trial court had jurisdiction to enter the amended judgment.

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[3] Sporleder has not appealed the trial court's amended judgment.

[¶ 10.] Van Liere and En-R-G Max claim that the trial court lacked jurisdiction to enter an amended judgment. However, under SDCL § 15-30-14[4], the trial court does have jurisdiction to enter an order in accordance with this Court's ruling. Whether the decision is consistent with the ruling of this Court is a question that must be decided anew if there is an appeal. The fact that a trial court's amended judgment is inconsistent with the ruling of a higher court does not defeat jurisdiction. Clearly, the trial court did have jurisdiction to enter an amended judgment. Whether the trial court's amended judgment was correct is the matter we take up now.

[¶ 11.] The trial court's amended judgment was not proper since Weins' and Meyer's tort claims had been displaced by the Trade Secrets Act.

[¶ 12.] Under the facts of this case, the causes of action for fraud and deceit are necessarily a part of the misappropriation of a trade secret claim. Thus, these tort remedies were displaced by the claims of Van Liere and En-R-G Max under the Uniform Trade Secrets Act, SDCL 37-29-7. The trial court recognized that these causes of

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[4] SDCL 15-30-14 provides:

> In all cases the Supreme Court shall remit its judgment or decision to the court from which the appeal was taken, to be enforced accordingly; and if from a judgment, final judgment, shall thereupon be entered in the court below in accordance therewith, except where otherwise ordered.

action were displaced in its conclusions of law.[5] Recognition of this displacement rule is further bolstered by the trial court's decision to strike the punitive damages found by the jury. If the fraud and deceit claims were not displaced by the trade secret claim under the facts of this case, the trial court would have sustained the jury verdict including punitive damages on the fraud and deceit claims. The trial court did not do this. The trial court concluded that because the jury found for the plaintiffs on the trade secret claim, it was the court's duty under SDCL 37-29-3 to assess exemplary damages if it found the misappropriation was willful and malicious. The court

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[5] In denying Wein's and Meyer's request for prejudgment interest and punitive damages following the jury verdict the trial court concluded:

> 12. Plaintiff's claims for fraud and deceit, and breach of fiduciary or confidential relationship are other civil remedies for misappropriation of a trade secret in that the elements required to prove these torts are within the elements of a misappropriation of trade secret under South Dakota law. Since a misappropriation of a trade secret was found by the jury, damages are only to be awarded for the misappropriation of a trade secret, not the claims for fraud and deceit, breach of fiduciary duty.
>
> 13. The oral contract established a relationship demanding the exercise of proper care and acts and omissions in performance and gave rise to a duty in tort action for fraud and deceit and breach of fiduciary or confidential relationship, but did not exclude the preemption of the Uniform Trade Secret Act under SDCL 37-29 – 7(b)(1) or (2) or form a separate non-tort contract basis for punitive damages under SDCL 21-3-2.

refused to assess exemplary damages under this standard.

[¶ 13.] Even assuming these tort claims were not displaced by the rulings of the trial court, these tort claims are so inextricably linked to the trade secret claim that this Court must rule that they are displaced as a matter of law. The tort claims of Weins and Meyer in their second amended complaint were based on the following allegations:

a) Appropriation of the secret as their own:

b) Lying to Jim Weins and Mac Meyer by denying they were in the process of preparing to manufacture and market the trade secret;

c) Not divulging to Jim Weins and Mac Meyer that a corporation was being formed to manufacture and distribute EN-R-G MAX [the allegedly misappropriated trade secret];

d) Fighting the patent application of Jim Weins [which set forth the alleged trade secret];

e) Appropriating from Mitchell, S.D., the product used by Jim Weins, Mac Meyer, and Robert A. Sporleder and taking it to Crooks, S.D., for the purpose of manufacturing EN-R-G-MAX.

South Dakota's adoption of the Uniform Trade Secrets Act, SDCL 37-29-7, prevents a plaintiff from merely restating their trade secret claims as separate tort claims. In analyzing claims for the purpose of applying the displacement provision, the issue is not what label the plaintiff puts on their claims. Rather, the court is to look beyond the label to the facts being asserted in support of the claims. *Leucadia, Inc. v. Applied Extrusion Technologies,*

755 F.Supp. 635 (D.Del.1991). A plaintiff "may not rely on acts that constitute trade secret misappropriation to support other causes of action." *Ed Nowogroski Ins., Inc. v. Rucker*, 88 Wash.App. 350, 944 P.2d 1093, 1097 (1997).

[¶ 14.] In examining a plaintiff's claims to determine if claims are related, numerous courts have specifically found that tort claims such as fraud, unfair competition, and breach of fiduciary duty are preempted by the Uniform Trade Secret Act. *See, Leucadia*, 755 F.Supp. at 636-637 (claims of unfair competition and unfair trade or business practices claim were found to be displaced); *Ed Nowogroski Ins., Inc.*, 88 Wash.App. 350, 944 P.2d at 1097 (claims for misuse of confidential information and intentional interference were displaced by trade secrets act); *Composite Marine Propellers v. Van Der Woude*, 962 F.2d 1263 (7th Cir.1992) (claims of unfair competition and breach of fiduciary duty were found to be displaced).

[¶ 15.] What the trial court did in amending judgment was to render SDCL 37-29-7(b)(2) meaningless. In effect, the trial court stated if a plaintiff's trade secret claim is dismissed, plaintiffs can simply pursue the same claim in the name of a tort. Courts should not construe a statute in such a way as to render the language meaningless. *See*, Appeal of BHLS, 1997 SD 64, 563 N.W.2d 429.

[¶ 16.] In analyzing the displacement provisions of the Uniform Trade Secrets Act the trial court cited a federal case from *Minnesota, Micro Display Systems, Inc. v. Axtel, Inc.*, 699 F.Supp. 202, 205 (D.Minn.1988):

> Using this interpretation of 325C.07, the court will allow plaintiff to go forward and maintain its separate causes of action to the extent that

> the causes of action have "more" to their factual allegations than the mere misuse or misappropriation of trade secrets.

Clearly, if the causes of action as pled amount to "more" than misappropriation of a trade secret, the court should allow those tort claims to be presented to a jury. That was not the case here. Every claim by Weins and Meyer in their second amended complaint arises out of the alleged misappropriation of the trade secret. The factual basis of the tort claims of Weins and Meyer relate to allegations that Van Liere and En-R-G Max obtained information which amounted to a trade secret and took or misappropriated it for their own purposes when starting their own business. Under the facts of this case, the tort claims and the trade secret claims are inseparable. There may be other cases where a trade secret misappropriation is alleged and there is a further factual basis for fraud and deceit claims apart from the trade secret claim.[6] However, that is not the case with the tort claims of Weins and Meyer.

[¶ 17.] In deciding *Weins*, 1997 SD 111, 569 N.W.2d 16, this Court understood that the fraud and deceit claims had been displaced by the trade secret law, SDCL 37-29-7. If this Court had concluded otherwise it would have

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[6] *See Paint Brush Corp. v. Neu*, 1999 SD 120, 599 N.W.2d 384. The facts of this case are indicative of fraud and deceit claims that are separate from a misappropriation of trade secret claim. Here, there was evidence indicating defendants induced plaintiff to hire one of them as part of proposed purchase plan. *Id.* Hired defendant allegedly used position to misappropriate trade secrets. *Id.*

necessarily discussed the tort claims in its previous opinion. In the first appeal we found, "the trial court erred when it denied the motions for directed verdict and/or judgment notwithstanding the verdict." *Weins*, 1997 SD 111 at ¶ 29, 569 N.W.2d at 23. When this Court then stated, "[w]e reverse and direct a judgment consistent with this opinion[,]" we intended that a judgment in favor of the defendants would issue. *Weins*, 1997 SD 111 at ¶ 32, 569 N.W.2d at 24. For the reasons stated, the trial court misinterpreted this Court's prior decision.

[¶ 18.] Due to our holding on the second issue, we need not address the remaining issues presented on appeal. We reverse and direct a judgment in favor of the defendants Van Liere and En-R-G Max.

[¶ 19.] MILLER, Chief Justice, and AMUNDSON, KONENKAMP and GILBERTSON, Justices, concur.

[¶ 20.] ANDERSON, LEE D., Circuit Judge, for SABERS, Justice, disqualified.

APPENDIX 4

STATE OF SOUTH DAKOTA	)	IN CIRCUIT COURT
	)	SECOND JUDICIAL
COUNTY OF MINNEHAHA	: SS	CIRCUIT
	)	
	)	

***

FINDINGS OF FACT

1. The jury was given a special verdict form which addressed causes of action for misappropriation of a trade secret, breach of an oral contract, breach of a fiduciary or confidential relationship, and for fraud and deceit.

2. The jury's verdict discloses:

a) trade secret misappropriation against Robert Sporleder, Merle Van Liere, and EN-R-G Max, Inc.;

b) breach of oral contract against Robert Sporleder;

c) breach of fiduciary or confidential relationship against Robert Sporleder but did not find such breach against Merle Van Liere and EN-R-G Max, Inc.; and fraud and deceit against Robert Sporleder, Merle Van Liere, and EN-R-G Max, Inc.

3. The Plaintiffs now propose a basis for calculating interest based upon the assumption of the verdict being rendered upon a theory of unjust enrichment and the jury calculating the verdict based upon the profit per ton and using volume calculations based upon tonnage in each year.

4. Adopting the Plaintiffs, proposal would require speculation for calculating an amount of interest as the amount of damages was uncertain until determined by the jury.

5. Based on the evidence and testimony heard by the Court, there has not been a sufficient showing of willful or malicious, outrageous or egregious conduct on the part of any of the three named Defendants to warrant

an award of punitive damages under the Uniform Trade Secret act as adopted in South Dakota.

6. To the extent any of the foregoing are improperly designated findings of fact and are conclusions of law or mixed questions of law and fact, the same are hereby incorporated by reference in the Conclusions of Law that appear herein.

CONCLUSIONS OF LAW

7. As this case was brought after July 1, 1990, SDCL 21-113.1 is the appropriate statute pertaining to prejudgment interest.

8. SDCL 21-1-13.1 does not allow the court to speculate in calculating prejudgment interest.

9. In this action, prejudgment interest would be based on speculation as damages could not be ascertained until the verdict was entered.

10. Plaintiffs are not entitled to prejudgment interest.

11. SDCL 37-29-7 provides that the Uniform Trade Secret Act "displaces conflicting tort, restitutionary and other law of this state providing civil remedies for misappropriation of a trade secret."

12. Plaintiff's claims for fraud and deceit, and breach of fiduciary or confidential relationship are other civil remedies for misappropriation of a trade secret in that the elements required to prove these torts are within the elements of a misappropriation of trade secret under South Dakota law. Since a misappropriation of a trade

secret was found by the jury, damages are only to be awarded for the misappropriation of a trade secret, not the claims for fraud and deceit, breach of fiduciary duty.

13. The oral contract established a relationship demanding the exercise of proper care and acts and omissions in performance and gave rise to a duty in tort actions for fraud and deceit and breach of fiduciary or confidential relationship, but did not exclude the preemption of the Uniform Trade Secret Act under SDCL 37-29--7(b)(l)or(2) or form a separate non-tort contract basis for punitive damages under SDCL 21-3-2.

14. SDCL 37-29-3 restricts the determination of punitive damages to discretion of the court. The jury would determine the issue of punitive damages if the verdict had not included an award under misappropriation of trade secret. Since the jury found for the plaintiff on the issue of misappropriation of trade secret, the issue of punitive damages becomes an issue for the court to decide.

15. In order to recover punitive damages pursuant to SDCL 37-29-3(b), there must be a showing of willful and malicious misappropriation.

16. Whether actual or presumed, malice must be shown in order to recover punitive damages pursuant to SDCL 37-29-3(b); in this case, there has not been a sufficient showing of either actual or presumed malice to support an award for punitive damages under the Uniform Trade Secret Act as adopted in South Dakota.

17. No punitive damages are awarded to Plaintiffs.

18. The Court hereby incorporates its written opinion of April 24, 1995 as if fully set forth herein.

19. To the extent any of the foregoing are improperly designated as conclusions of law and are findings of fact, the same are hereby incorporated by reference in the Findings of Fact that appear herein.

Dated at Sioux Falls, South Dakota, this 25th day of May, 1995.

BY THE COURT:

/s/ Glen A. Severson
Glen A. Severson,
Circuit Court Judge

ATTEST:

ROGER D. MOAN, Clerk

By /s/ Betty Fokken

Deputy (SEAL)

APPENDIX 5

IN THE SUPREME COURT

OF THE

STATE OF SOUTH DAKOTA

* * *

JIM WEINS and MAC MEYER,	)	ORDER DENYING PETITION FOR REHEARING
Plaintiffs and Appellees,	)	#20858
vs.	)	(Filed Mar. 06, 2000)
ROBERT A SPORLEDER,	)	
Defendant,	)	
and	)	
MERLE VAN LIERE and EN-R-G-MAX, INC.,	)	
Defendants and Appellants.	)	

A petition for rehearing in the above cause having been filed February 11, 2000, and no issue or question of law of fact appearing to have been overlooked or misapprehended, and more than fifteen days having elapsed thereform and no written statement having been filed with the Clerk of this Court by a majority of the justices requesting a rehearing, now, therefore, in accordance with the Rehearing Procedure Rule of this Court, the petition for rehearing is denied.

DATED at Pierre, South Dakota, this 6th day of March, 2000.

BY THE COURT:

/s/ Robert A. Miller
Robert A. Miller, Chief Justice

ATTEST:

/s/ Dorothy A. Smith
Clerk of the Supreme Court

(SEAL)

APPENDIX 6

STATE OF SOUTH DAKOTA	)	IN CIRCUIT COURT
	) ss	SECOND JUDICIAL CIRCUIT
COUNTY OF MINNEHAHA	)	CIV. 91-2351
JIM WEINS and MAC MEYER,	)	AMENDED JUDGMENT
Plaintiffs,	)	(Filed Nov. 12, 1998)
vs.	)	
ROBERT A. SPORLEDER, MERLE VAN LIERE and EN-R-G-MAX, INC.,	)	

On September 9, 1997, the South Dakota Supreme Court remanded this case to the Circuit Court, Minnehaha County, South Dakota for "further proceedings according to law and decision of this court." On March 4, 1998, counsel for Weins and Meyer asked the court to enter Judgment pursuant to SDCL 15-30-14 reversing that portion of the Judgment dated April 25, 1995, dealing with a favorable jury verdict on the trade issue, (Count I), and affirming the tort claim, (Count II).

A hearing on a Motion concerning the entry of a Judgment made by counsel for Weins and Meyer was heard on November 3, 1998. On November 4, 1998, this court stated in a written decision that Count I should be dismissed but Count II should be reinstated, subject to a showing that there is no bankruptcy stay which would preclude the entry of an Amended Judgment. That showing has been made and the court is satisfied that an

Amended Judgment may be entered at this time. However, this court acknowledges that as to whether this Amended judgment is an enforceable lien against Merle Van Liere Personally is a question which falls solely within the jurisdiction of the United States Bankruptcy court.

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that the jury's decision in regard to Count 1, the misappropriation of a trade secret count, is hereby set aside and Plaintiffs shall recover nothing on that count.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Plaintiffs recover from the Defendants on Count II, which alleges that after the feed product was perfected, Sporleder and Van Liere conspired by fraud and deceit to breach and make inoperative the oral contract between Weins, Meyer and Sporleder and that the Plaintiffs recover from the Defendants the sum of Four Hundred Forty Thousand Dollars, ($440,000.00), and punitive damages in the amount of Two Hundred Thousand Dollars, ($200,000.00), and their costs in this action in the sum of $3,875.72.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the percentage of fault is allocated 50% to Robert A. Sporleder, 25% to Merle Van Liere and 25% to EN-R-G MAX.

Dated at Sioux Falls, South Dakota, this 12 day of November, 1998.

BY THE COURT:

ATTEST:

Tammy Holmes, Clerk
By /s/ Rhonda Kirton,
Deputy

/s/ Glen A. Severson
Glen A. Severson,
Circuit Judge

APPENDIX 7

STATE OF SOUTH DAKOTA	)	IN CIRCUIT COURT
	) ss	
COUNTY OF MINNEHAHA	)	SECOND JUDICIAL CIRCUIT
	)	CIV. 91-2351
JIM WEINS and MAC MEYER,	)	SECOND AMENDED COMPLAINT
Plaintiffs,	)	
vs.	)	
ROBERT A. SPORLEDER, MERLE VAN LIERE and EN-R-G-MAX, INC.,	)	

Come now the Plaintiffs and for their causes of action state and allege as follows:

FIRST CAUSE OF ACTION

I.

That sometime before November, 1983, Plaintiff Jim Weins conceived the idea for and invented a new product having application for a Feed Supplement for ruminants and pseudoruminants. Said product is a tub feed product containing a combination of ingredients to be fed free choice to cattle, sheep and horses and which was to limit consumption.

That the invention, combination of ingredients, use and application was a trade secret.

II.

That in September, 1988, Jim Weins confidentially contacted Robert A Sporleder and disclosed his trade secret, namely the Feed Product, its use and its application. The purpose of this contact by Jim Weins with Robert A. Sporleder was to ascertain whether or not said Robert A. Sporleder would be interested in helping him in marketing the Feed Product. After negotiations, Robert A. Sporleder did agree to join Jim Weins in a venture to patent the product and to find a manufacturer.

III.

The Plaintiffs, Jim Weins and Mac Meyer, were working together and helping with the costs of selling and developing the Feed Product, which was a trade secret. The Plaintiffs planned to form a corporation named Proenergy with Robert A. Sporleder to manufacture and market the Feed Product. The Plaintiffs gave Robert A. Sporleder money to retain a lawyer to form a corporation.

IV.

On February 21, 1989, Jim Weins was advised by a patent attorney that the Feed Product was patentable and that a patent application was filed 10/26/89 with the U.S. Patent and Tradmark [sic] Office.

V.

In February, 1989, the Defendant, Merle Van Liere, looked at the livestock that were being used to test the Feed Product and then met with Jim Weins and expressed

no interest in marketing the Feed Product, but would provide soy bean flakes at the lowest price.

VI.

That thereafter, Robert A. Sporleder, ignoring the Plaintiffs, took the Feed Product and got together with Merle Van Liere and they built a manufacturing plant in Crooks, South Dakota, using the name EN-R-G MAX, Inc. EN-R-G MAX, Inc., then entered into a contract with Farmland Industries, Inc., and others for the distribution of the product.

VII.

That the acts of the Defendants in appropriating and converting to their own use and benefit the trade secret of the plaintiffs have been oppressive, fraudulent and malicious, and without any regard whatsoever to the rights and interests of Plaintiffs and have resulted in their unjust enrichment.

VIII.

That the said acts of the Defendants have resulted and will continue to result in their unjust enrichment based on their use of Plaintiffs' secret and confidential information, and the Defendants will continue to be unjustly enriched to Plaintiffs' prejudice and damage.

IX.

That as a result of its invention of the Feed Product, and prior to the wrongful appropriation, the Plaintiffs expended a total of $9,424.39 in developing the Feed Product. The Plaintiffs have incurred a loss to date in that amount by reason of the Defendants' conspiracy to appropriate and appropriation of Plaintiffs' trade secret.

X.

That because of the conspiracy to appropriate and appropriation by the Defendants of the Plaintiffs' trade secret, Plaintiffs have lost the value of the Feed Product, will lose future profits in an amount to yet be determined.

SECOND CAUSE OF ACTION

I.

Plaintiffs reallege and incorporate as part of this cause of action the entire First Cause of Action.

II.

That there was an oral contract by and between the Plaintiffs and Robert A. Sporleder, that they would develop, market and manufacture the Feed Product and that they would share profits and expenses 1/3 each.

III.

That Merle Van Liere was aware that Jim Weins, Mac Meyer and Robert A. Sporleder had not only developed a

Feed Product as described in paragraph 1 of the First Cause of Action, but that they also intended to manufacture and market the Feed Product.

IV.

That after the Feed Product was perfected, Sporleder and Van Liere conspired by fraud and deceit to breach and make inoperative the oral contract previously set forth.

V.

The fraudulent and deceitful acts which Robert A. Sporleder and Merle Van Liere used to breach and make inoperative the oral contract were:

a) Appropriation of the secret as their own;

b) Lying to Jim Weins and Mac Meyer by denying they were in the process of preparing to manufacture and market the trade secret;

c) Now devulging [sic] to Jim Weins and Mac Meyer that a corporation was being formed to manufacture and distribute EN-R-G-MAX:

d) Fighting the patent application of Jim Weins;

e) Appropriating from Mitchell, S.D., the product used by Jim Weins, Mac Meyer and Robert A. Sporleder and taking it to Crooks, S.D., for the purpose of manufacturing EN-R-G-MAX.

VI.

All the deceitful acts set forth in V. above were done with the full knowledge that Robert A. Sporleder and Merle Van Liere that the plaintiffs Jim Weins and Mac Meyer were waiting to manufacture and distribute the trade secret while they attempted to get a patent pending thus giving them an unfair advantage and head start in the manufacturing and marketing of the trade secret, thus allowing them to capture the market advantage, thus defeating the plans of Jim Weins and Mac Meyer to carry out two of the objects of the oral contract, to wit: the manufacture and distribution of the trade secret. These actions are tantamount to unfair competition.

VII.

That Robert A. Sporleder, pursuant to the terms of the oral contract, had established a relationship with Jim Weins and Mac Meyer demanding the exercise of proper care to the interest of all three which he and Merle Van Liere conspired to violate.

VIII.

That the oral contract was founded in trust between the three participants and further that there was a confidential relationship created thereby, thus establishing a fiduciary relationship which was breached by a conspiracy between Robert A. Sporleder and Merle Van Liere.

IX.

That as a result of the breach of said implied contract, the Plaintiffs have lost the value of the Feed Product, and will lose future profits in an amount to yet be determined.

WHEREFORE, the Plaintiffs pray for judgment as follows:

First Cause of Action

1. For expenditures incurred to date.
2. For an accounting of any profits realized from or attributable to the use of such confidential and secret information.
3. For an amount equal to the unjust enrichment realized by Robert A. Sporleder, Merle Van Liere and EN-R-G-MAX, INC.
4. Loss of future profits.
5. For punitive damages in the amount of $2,000,000.00.
6. For pre-judgment interest.
7. For such other and further relief as this court may deem just and proper.

Second Cause of Action

1. For loss expenditures incurred to date.
2. For an accounting of any profits realized from or attributable to the use of such confidential and secret information.
3. For an amount equal to the unjust enrichment realized by Robert A. Sporleder, Merle Van Liere and EN-R-G-MAX, INC.

4. Loss of future profits.

5. For punitive damages in the amount of $2,000,000.00.

6. For pre-judgment interest.

7. For such other and further relief as this Court may deem just and proper.

Dated at Sioux Falls, South Dakota, this 1st day of March, 1995.

/s/ Rick Johnson
Rick Johnson
P.O. Box 149
Gregory, S.D. 57533

/s/ David V. Vrooman
102 S. Main – Ste. 411
Sioux Falls, S.D. 57102

APPENDIX 8

STATE OF SOUTH DAKOTA)
) SS
COUNTY OF MINNEHAHA)

IN CIRCUIT COURT
SECOND JUDICIAL CIRCUIT
CIV. 91-2351

JIM WEINS and MAC MEYER,

Plaintiffs,

vs.

ROBERT A. SPORLEDER, MERLE VAN LIERE and EN-R-G-MAX, INC.,

Defendants.

SECOND AMENDED JUDGMENT

(Filed Apr 29, 2000)

On March 14, 1995, a Minnehaha County, South Dakota, jury returned a verdict in favor of Jim Weins and Mac Meyer and against Robert A. Sporleder, Merle Van Liere and En-R-G-Max, Inc. on two counts. The claim in Count I was that Weins and Meyer had a trade secret in a livestock feed supplement and that Sporleder, Van Liere and En-R-G-Max, Inc., misappropriated that trade secret. In Count II, Weins and Meyer alleged that they had an oral contract with Sporleder and that Sporleder, Van Liere and En-R-G-Max, Inc., conspired to breach that contract. Weins and Meyer also alleged that a confidential or fiduciary relationship was created by the oral contract between them and Sporleder, which was breached by

Sporleder, Van Liere and En-R-G-Max, Inc. The jury found for Weins and Meyer and Judgment was entered on 4/25/95 in their favor in the amount of $440,000.00 plus costs of $3,875.72.

The 4/25/95 Judgment was appealed to the South Dakota Supreme Court, which decided on 9/3/97 in *Weins and Meyer v. Sporleder, Van Liere and En-R-G-Max, Inc.*, 569 N.W.2d 16 that it was a question of law, not fact, whether the claimed secret could constitute a trade secret as defined in SDCL 37-29-1(4). The Supreme Court decided as a matter of law that Weins and Meyer did not have a trade secret.

In its 9/3/97 decision, the South Dakota Supreme Court also found that this court, the trial court, had struck Count II. On 11/4/98 this court issued a letter opinion stating that Count II had not been struck and as a result of that letter opinion this court signed and filed an Amended Judgment on 11/12/98 awarding $440,000.00 compensatory damages. This court also restored $200,000.00 punitive damages which it had previously struck after the jury verdict, plus costs in favor of Weins and Meyer and against Sporleder, Van Liere and En-R-G-Max, Inc., on Count 11. The Amended Judgment was appealed to the South Dakota Supreme Court by Van Liere and En-R-G-Max, Inc.

On 9/15/99 the South Dakota Supreme Court issued an opinion in the Second Appeal, *Weins and Meyer v. Sporleder, Van Liere and En-R-G-Max, Inc.*, 605 N.W.2d 488. In the second opinion, the South Dakota Supreme Court held again that this court struck Count II after trial. The Supreme Court also held that assuming that this court

had not struck Count II that . . . "these tort claims are so inextricably linked to the trade secret claim that this court must rule that they are displaced as a matter of law."

IT IS HEREBY ORDERED, ADJUDGED AND DECREED that the jury's decision on both counts I and II are set aside and Plaintiffs shall recover nothing on either count.

Dated at Sioux Falls, South Dakota, this 25th day of April, 2000.

BY THE COURT:

/s/ Glen A. Severson
Glen A. Severson
Circuit Court Judge

ATTEST:

Charles Fechner M., Clerk

By /s/ Betty Fokken, Deputy

APPENDIX 9

#19307, #19308, #19310, #19315

IN THE SUPREME COURT

OF THE

STATE OF SOUTH DAKOTA

JIM WEINS and MAC MEYER

Plaintiffs and Appellees

v.

ROBERT SPORLEDER,
MERLE VAN LIERE
and EN-R-G MAX, INC.,

Defendants and Appellants

PETITION FOR REHEARING

Plaintiffs and Appellees, Jim Weins and Mac Meyer, through their attorneys, respectfully ask the court to consider the following points that they feel have been overlooked or misapplied by the court in its opinion filed 9/03/97. References to the opinion will be O followed by the section number set forth in the opinion. The Settled Record will be referred SR followed by the page number and the transcript will be referred to as T followed by the page number. SJI indicates Jury Instruction Settlement Transcript.

PREAMBLE

Weins and Meyer agree that based on *Uncle B's Bakery, Inc., v. O'Rourke*, 920 F.Supp 1405, 1427 (N.D. Iowa), that the existence of a trade secret is a mixed question of law and fact. We agree also based on *Uncle B's*, supra, that

the court should review the legal part of SDCL 37-29-1(4) de novo. However, we urge that *Uncle B's* and *Economy Roofing and Insulating Co. v. Zumaris*, 538 N.W.2d 641 (Iowa 1995), do not hold that the fact questions decided by a jury are to be reviewed applying a clearly erroneous standard. *Uncle B's* was a motion for preliminary injunction tried to the court without a jury. In *Economy* the court decided on appeal that the trial court had correctly decided the law question set forth in the first part of Iowa Code Section 550.2(4) (at 648), but remanded the case for a factual hearing. The Iowa Supreme Court said, "*Economy* should have been allowed a hearing on the merits regarding its request for permanent injunction and . . . " (p. 649). Neither court stated that the factual part of the 550.2(4) should be reviewed de novo applying a clearly erroneous standard in a case tried to a jury.

This court states in its opinion at pages 7 and 8 that questions of fact, referring to those facts arising out of the second part of the trade secret definition should be reviewed applying a clearly erroneous standard. This court based its ruling on *Grode v Grode*, 543 N.W.2d 795 (S.D. 1996). It is here that Weins and Meyer feel that this court misapprehended the law. *Grode v. Grode* was a divorce case tried to the court. The trial judge was the fact finder. In this case the jury was the fact finder. This court said at p. 799:

> STANDARD OF REVIEW
>
> [1,2] [¶ 5]We first note our standards of review in this case. We review a trial court's findings of fact under a clearly erroneous standard. In applying this standard, we will not overturn a

> valuation unless it is clearly erroneous. *DeVries v. DeVries,* 519 N.W.2d 73, 75 (S.D. 1994) (citations omitted). All conflicts in the evidence must be resolved in favor of the trial court's findings. *Kost v. Kost* 515 N.W.2d 209, 213 (S.D. 1994). We review a trial court's conclusions of law under a de novo standard. *Bess v. Bess* 534 N.W.2d 346, 347 (S.D. 1995) (citing *Johnson v. Johnson,* 291 N.W.2d 776, 778 (S.D. 1980). We give no deference to the trial court under this standard of review. Id.

This decision by the court takes away Weins' and Meyer's right to a jury trial guaranteed to them by Art. Vl Sec. 6 of the South Dakota Constitution. The pertinent part reads as follows:

> *"The right of trial by jury shall remain inviolate and shall extend to all cases at law . . . "*

This section mandates that a party be given a jury trial, as a matter of right, if the action is one at law. *Kneeland v. Matz,* (1986) 388 N.W.2d 890.

This case was tried to a jury. The court did not enter Findings of Fact on the fact issues decided by the jury. We submit that Justice Sabers was correct when in his dissent he says at p. 21:

> "We interpret the facts on a basis most favorable to upholding the jury's verdict.
>
> Our standard of review of the circuit court's denial of a directed verdict and of the jury's determination in favor of [the] plaintiff is well established. We must examine the evidence in the light most favorable to the non-moving party and give [her] the benefit of all reasonable inferences. Robinson v. Mudlin, 273 N.W.2d 753,

> 755 (SD 1979). The moving party is entitled to evidentiary consideration only where its evidence is uncontradicted or tends to amplify, clarify or explain the evidence in support of the verdict of the jury for the prevailing party. Nugent v. Quam, 82 SD 583, 152 N.W.2d 371, 374 (1967).
>
> In such a context, it becomes our task to review the record and determine whether there is any substantial evidence to allow reasonable minds to differ. Haggar v. Olfert, 387 N.W.2d 45 (SD 1986). This court does not weigh the evidence and substitute its judgment for that of the jury. Robinson, supra; Berg v. Sukup Mfg., 355 N.W.2d 833, 835 (SD 1984).

Landstrom v. Shaver, 1997 (SD 25, ¶ 72, 561 N.W.2d 1, 16 (quoting Westover v. East River Elec. Power Coop., 488 N.W.2d 892, 896 (SD 1992)) (emphasis added); "This court does not decide factual issues de novo." In re A.R.P. 519 N.W.2d 56, 61 (SD 1994) (citations omitted).

> It is the jury, not the court, which is the fact-finding body. It weighs the contradictory evidence and inferences, judges the credibility of witnesses, receives expert instructions, and draws the ultimate conclusion as to the facts. The very essence of its function is to select from among conflicting inferences and conclusions that which it considers most reasonable."

In the companion case, *Sporleder v Van Liere and En-R-G Max, Inc.*, also decided by this court on 9/3/97, the same jury decided the facts. In the companion case this court reviewed the case in the light that is most favorable to the non-moving party and gave that party the benefit of all reasonable inferences that fairly can be drawn from

the evidence. (p. 4) The court also said it was the jury's duty to weigh the credibility of the testimony of the witnesses. (p. 5)

TORT CLAIMS

I.

THE TORT CLAIMS ARISING OUT OF INTERFERENCE TO CONTRACT COUNT

At O #1 this court in its opinion stated, "The trial court later found that the tort claims, (including the claim for punitive damages), were replaced by South Dakota's adoption of the Uniform Trade Secrets Act and struck the jury's award of punitive damages." The court *did* strike the punitive damages. The trial court *did not find,* that the tort claims were replaced by the adoption of the Uniform Trade Secrets Act.

Apparently this court was misled by one sentence contained at page 16 of the Van Liere and En-R-G Max Reply Brief. That one sentence read that based on the trial court's Findings of Fact and Conclusions of Law, "The court also held that the tort claims asserted by Weins and Meyer were displaced by SDCL 37-29-7." That is not true. Van Liere and En-R-G Max tried in their Motion for JNOV or New Trial to get the trial judge to throw out the tort claims, but he refused.

The Judgment was entered *4/24/95.* (SR 729-730). Findings of Fact and Conclusions of Law were entered on the punitive damage and pre-judgment interest questions on *May 25, 1995.* (SR 887-891). After that, on *6/12/95,* Van

Liere and En-R-G Max filed a Motion for JNOV or New Trial. (SR 922-929)

In their Motion for JNOV or New Trial, Van Liere and En-R-G Max at p. 2 said:

> "The claim of fraud and deceit, therefore, was improperly submitted to the jury. The Court should direct a verdict and grant judgment notwithstanding the verdict in favor of the Defendants Merle Van Liere and En-R-G Max, Inc., on the claim of fraud and deceit. Alternatively, the Court should award a new trial on the issues of trade secret and fraud.

They continue at page 4 as follows:

> Clearly, in this case Weins and Meyer, themselves, made their fraud and deceit claim the same as their misappropriation claim. In count two of their complaint, Weins and Meyer reassert all of the allegations of count one. Furthermore, they maintained that deceitful acts involving the alleged misappropriation of the trade secret. In addition, the jury was asked, without objection from Weins and Meyer, to award damages for misappropriation of a trade secret and fraud together. *Failing to separate the damages for each, also indicates that the award of the jury was for the same alleged injuries."*

The Motion for JNOV or New Trial was denied by Judge Severson on 7/18/95. (SR 993). Not only was it denied, but the last sentence, (which is underlined above), clearly shows that Van Liere and En-R-G Max knew that the Judgment included both counts and that neither count had been stricken by the trial court.

Counsel for Van Liere and En-R-G Max knew when they said that, "The court also held that the tort claims asserted by Weins and Meyer were displaced by SDCL 37-29-7 was not a correct reflection of the record." Their JNOV Motion established that they knew what the record said.

The Motion for JNOV or New Trial was denied by Judge Severson on *7/18/95*. (SR 993). He refused to throw out the tort claim. The last paragraph quoted above clearly shows that Van Liere and En-R-G Max knew that the tort claim had not been displaced by the trial judge. All the trial judge did when he adopted the Findings of Fact and conclusions of Law based on his 4/24/95 decision was to strike the punitive damages. He did not throw out the tort claim count.

This is what transpired:

On April 24, 1995, Judge Severson issued a written opinion limited to plaintiffs' request that pre-judgment interest and *punitive damages* be added to the Judgment. (SR 887-891). In that written opinion he stated that these were the only issues remaining before the court before entry of Judgment. At page 2 of that opinion Judge Severson said:

The jury found:

1. Trade secret misappropriation against Robert Sporleder, Merle Van Liere, and En-R-G Max, Inc.;

2. Breach of oral contract against Robert Sporleder;

3. Breach of fiduciary or confidential relationship against Robert Sporleder, but did not find such breach against Merle Van Liere and En-R-G Max, Inc.

4. Fraud and deceit against Sporleder, Van Liere, and En-R-G Max, Inc.

The court then at page 3 denied pre-judgment interest on the verdict.

The court in its written opinion of April 24, 1995, also addressed the punitive damages question. The court said at page 5, "The plaintiffs in this action have been fully compensated for the damages they sustained by the award of compensatory damages by the jury." The court was referring to the $440,000.00 awarded by the jury, on both counts based on the four jury findings set forth above.

The court said at page 6 of his Findings and Conclusions, (SR 887-891), that a copy of the Judgments are enclosed. (Referring to, (1) this case, and (2) the Sporleder v. Van Liere case). The Judgment prepared by the court in this case read:

STATE OF SOUTH DAKOTA)
) SS
COUNTY OF MINNEHAHA)

IN CIRCUIT COURT
SECOND JUDICIAL CIRCUIT
CIV. 91-2351

JIM WEINS and MAC MEYER,

Plaintiffs,

vs.

ROBERT A. SPORLEDER, MERLE VAN LIERE and EN-R-G MAX, INC.,

Defendants.

SECOND AMENDED JUDGMENT

(Filed April 29, 2000)

This action came on for trial before the Court and a jury, Honorable Glen A. Severson, Circuit Judge, presiding, and the issues having been duly tried and the jury having duly rendered its verdict, it is hereby

ORDERED, ADJUDED AND DECREED that the Plaintiff recover of the Defendant the sum of Four Hundred Forty Thousand Dollars, and his costs of action in the sum of $_____ the amount whereof is to be hereinafter inserted by the Clerk of the above Court.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the percentage of fault is allocated 50% to Robert A. Sporleder, 25% to Merle Van Liere and 25% to EN-R-G Max.

Dated at Sioux Falls, South Dakota, this 24th day of April, 1995.

BY THE COURT:

Glen A. Severson
Glen A. Severson, Circuit Judge

In the trial court's Finding of Fact and Conclusion of Law #12, (which was based on his April 24, 1995, written decision and *which according to that decision was limited to the pre-judgment interest and punitive damages issues*), the court found in applying SDCL 37-29-7 which reads:

> Effect on other law, (a) Except as provided in subsection (b), this chapter displaces conflicting tort, restitutionary and other law of this state providing civil remedies for misappropriation of a trade secret.
>
> (b) This chapter does not affect:
>
> (1) Contractual remedies, whether or not based upon misappropriation of a trade secret;
>
> (2) Other civil remedies that are not based upon misappropriation of a trade secret; or
>
> (3) Criminal remedies, whether or not based upon misappropriation of a trade secret.

that the claims for fraud and deceit and breach of fiduciary or confidential relationship were other civil remedies based on misappropriation of a trade secret, and that none of the exceptions in 37-29-7(b) applied to the punitive damage claim. Weins and Meyer have consistently maintained that under the facts of this case the claim for

breach of the fiduciary relationship and the confidential relationship arose out of a conspiracy between Sporleder, Van Liere and En-R-G Max to breach the oral contract which created an implied fiduciary relationship which was also breached. That is the way it was pled in the Second Amended Complaint and falls within the language of SDCL 37-29-7(b)(1), which says:

> (b) this chapter does not affect
>
> (1) contractual remedies, *whether or not based upon misappropriation of a trade secret* (emphasis added).

That was the basis of Weins' and Meyer's Notice of Review Issue I which was not decided in this court's opinion filed 9/03/97. *Assuming arguendo* that Conclusion #12 is correct, Conclusions of Law 13 and 14 contained in the Findings of Fact and Conclusions of Law could have been easily misapplied or overlooked by this court. Those conclusions are:

> 13. The oral contract established a relationship demanding the exercise of proper care and acts and omissions in performance and gave rise to a duty in tort actions for fraud and deceit and breach of fiduciary or confidential relationship, but did not exclude the preemption of the Uniform Trade Secret Act under SDCL 37-29-7(b)(1) or (2) or form a separate non-tort contract basis *for punitive damages* under SDCL 21-3-2. (Underlining supplied).
>
> 14. SDCL 37-29-3 restricts the determination of punitive damages to the discretion of the court. The jury would determine the issue of punitive damages if the

verdict had not included an award under misappropriation of trade secret. *Since the jury found for the plaintiffs on the issue of misappropriation of trade secret, the issue of punitive damages becomes an issue for the court to decide.* (Underlining supplied).

Conclusion 13, when first read, might leave the impression that the court was saying that the Uniform Trade Secret Act preempted the "tort claims". The court ruled only that pursuant to SDCL 37-29-3, it was exclusively up to the court to award punitive damages on the misappropriation count and not the jury when it found liability on both counts. The trial judge left the compensatory damage award in place on both counts and struck the punitive damages awarded by the jury on the tort claim count.

The court in Conclusion 14 made it clear that if the jury had not found for the plaintiffs on the misappropriation count, the jury properly assessed punitive damages, but since they also found liability on the misappropriation case that it was for the court to assess punitive damages. Conclusion 14 makes it clear that the court did not strike the "tort claims".

The trial court said in Conclusion of Law 18 that, "The court hereby incorporates its written opinion of April 24, 1995, as if fully set forth herein." As previously stated, that opinion dealt only with pre-judgment interest and punitive damages.

There is no record that the court dismissed or even considered dismissing the tort claim. There is no order dismissing the tort claim nor is the Judgment limited to the misappropriation claim. The jury in this case as

clearly shown by the interrogatories submitted to them found for the plaintiffs on both the misappropriation count and the "tort claim" count, but stated in answer to another interrogatory submitted to them by the court, found a general verdict applying to both counts, as shown by the following interrogatory submitted to the jury and its answer:

> 6. If you have answered "yes" to any of the above, set both the amount of Weins and Meyer's actual damages, if any.
>
> $440,000.00

The "any of the above" referred to the tort claim count and the misappropriation count. The jury answered "Yes" to both counts. In *Mid-America Marketing Corp. v Dakota Industries,* 281 N.W.2d 419 (S.D. 1979), (*Mid-America I*), the court set aside the jury finding that there was a trade secret. In *Mid-America Corp, v. Dakota Marketing Corp.,* 289 N.W.2d 797 (S.D. 1980), (*Mid-America II*), the court restored the trade secret claim. The court said:

> Based on the evidence in the record, we find that a valid cause of action for appropriation of a trade secret did exist. Having so found, we now consider whether the jury verdict can stand since the trial court in this case instructed the jury on one proper and one improper theory, and the jury returned a general verdict in favor of respondent.
>
> "This court has repeatedly stated that, in a civil case, if a general verdict is handed down and jury could have decided the case on two theories, one proper and one improper, the reviewing court will assume that it was decided on the proper theory." *Eberle v. Siouxland Packing Co.,*

Inc., 266 N.W.2d 256, 258 (S.D. 1978); *Aschoff v. Mobil Oil Corp.*, 261 N.W.2d 120 (S.D. 1977); *Limmer v. Westegard*, 251 N.W.2d 676 (S.D. 1977); *Baker v. Jewell*, 77 S.D. 573, 96 N.W.2d 299 (1959).

Nowhere in the instructions did Judge Severson include "misappropriation of a trade secret" as an element of the tort claim.

The reason the Judge did this was to leave the tort claim count outside of the exclusion language of SDCL 37-29-7 which read:

> 37-29-7 Effect on other law. (a) Except as provided in subsection (b), this chapter displaces conflicting tort, restitutionary and other law of this state providing civil remedies for misappropriation of a trade secret.
>
> (b) This chapter does not affect:
>
> (1) Contractual remedies, whether or not based upon misappropriation of a trade secret;
>
> (2) Other civil remedies that are not based upon misappropriation of a trade secret; or
>
> (3) Criminal remedies, whether or not based upon misappropriation of a trade secret. (Emphasis added).

It was the trial court's opinion that Count II would come within the exception set forth in (b)(2) if he did not include misappropriation of a trade secret in his instruction on Count II. Plaintiffs' argued that not only did (b)(2) apply because the instructions did not include misappropriation of a trade secret, that (b)(1) also applied

regardless of whether or not it was based upon the misappropriation of a trade secret. Weins and Meyer discuss the application of SDCL 37-29-7 at length in their responsive briefs.

This court has now decided that there is no trade secret as a matter of law. The jury found liability based on both the misappropriation count and the tort claim count. Judge Severson instructed the jury separately on Count 1, which was the misappropriation of trade secret and Count II, which is the tort claim count. The instruction on the tort claim case did not include an element of misappropriation of a trade secret.

The trial court said in Conclusion of Law 14 that if the jury had not found for Weins and Meyer on the misappropriation count but only on the tort count that the jury could have properly assessed punitive damages. The trial court struck the jury verdict *only* insofar *as it applies to the punitive damages*. The trial judge never struck the claim for the tort claims. The jury came back with a general verdict. The trial court did not state in the Judgment that it applied only to the misappropriation count. What the court did was leave the tort claim count as part of the Judgment so that if the court on Appeal struck Count I, Count II would survive.

II.

THE MISAPPROPRIATION COUNT

(This Petition addresses the issues as determined by the court using the clearly erroneous standard).

The court has decided as a matter of law that Weins and Meyer had no trade secret.

At O #16 this court said that the determination as to whether a trade secret exists as a matter of law is a case of first impression in this court and then adopts the standard of review applied in a similar case, *Uncle B's Bakery, Inc., v O'Rourke*, 920 F.Supp. 1405, 1427 (N.D. Iowa 1996) (interpreting Iowa law). Weins and Meyer submit that in the case of *Mid-America Marketing Corp. v. Dakota, etc.*, 289 N.W.2d 797 (S.D. 1980), this court was previously faced with deciding if a trade secret was a trade secret as a matter of law. (This was the rehearing decision. Initially the Supreme Court had ruled that there was no trade secret even though the jury had found a trade secret). *Mid-America Mkg., Corp. v Dakota Industries Inc., I.* 281 N.W.2d 419 (S.D. 1979). The court in *Mid-America II*, based on the evidence in the record, found that there was a valid cause of action for the appropriation of a trade secret. In *Mid-America II*, supra, the court said in restoring the appropriation of a trade secret count:

> Jurors are deemed to be reasonably intelligent. *Allen v. McLain*, 75 S.D. 520, 69 N.W.2d (1955). It is also presumed that a jury understands and follows the court's instructions. *Giltner v. Stark*, 219 N.W.2d 700 (Iowa 1974). In addition, a jury verdict may be read in light of the pleadings in the case, the issues presented by the evidence, and the charge made to the jury. *NEDA Const. Co., Inc. v Jenkins*, 137 Ga.App. 344, 223 S.E.2d 732 (1976).

It is presumed that the jury in this case understood and followed the court's instruction. The court allowed the jury to decide both the misappropriation issue and the tort issues. The court explained to the jury the essence of

the pleadings as part of his instructions and the jury listened to all of the evidence.

This quote from *Mid-America, II,* is consistent with the cases cited by Justice Sabers in his dissent to the effect that this court does not decide factual issues decided by a jury de novo.

At the argument in this case on 12/3/96, (I understand that it was recorded and made available to Justice Konenkamp), this writer, David V. Vrooman, specifically remembers two occasions and I think there was a third, when members of the court admonished Cheryle Wiedmeier and Gale Fisher for arguing facts. Members of the: court said to them that all you are doing is arguing facts and those facts have been decided by the jury. Weins and Meyer only argued the legal points. There was never any indication that the facts were going to be decided by a clearly. erroneous standard. Regarding this, the fact questions discussed by the court in its decision, Weins and Meyer feel that the court has misinterpreted or overlooked some of them. A discussion of those fact issues follows.

A.

O #'s 17 & 18

This court in O #17 and O #18 stated that Weins and Meyer failed to assert exactly what constituted the trade secret. The trade secret was the combination of ingredients to be used to feed free choice to cattle, sheep and

horses and which was to limit consumption. See paragraph 1, First Cause of Action, Second Amended Complaint. The first part of that sentence described the trade secret as "the combination of ingredients". The second part of the sentence shows how the product was to be used.

In Instruction # 2 the court instructed the jury, without objection, that Weins and Meyer allege that they have a trade secret in a livestock feed supplement. (SJI 22).

Instruction # 19 was the statutory definition contained in SDCL 37-29-1-(4).

The court submitted the following interrogatory to the jury:

> "1. Do you find that Weins and Meyer had a trade secret as defined in the court's instructions."
>
> ____ Yes ____ No

The jury said Yes.

When Mac Meyer testified he was asked by Ms. Wiedmeier: (T 281 Lines 17-24):

Q. Now, you're here today claiming a trade secret. What *formula* are you claiming as a trade secret. Can you tell me? (Emphasis added).

A. I guess that I couldn't tell you the exact amount of ingredients and what not, but I can tell you the final *formula* that we came up with the end of December that we had been testing through November and December and fine tuning. (Emphasis added).

Mac Meyer testified at page 247-248 that he did none of the formulating, that he had no technical knowledge of feeding, that he was the guy in charge of financing.

There is no question that counsel (Weidmeier) knew that the trade secret was the formula.

At Line 16 p. T 1034, Mr. Schaffer asked Jim Weins:

Q. So it's really the formula that's the secret; isn't it? Before he could answer –

Mr. Johnson: I'm going to object to this. He has asked and answered this several times.

The Court: Sustained.

As a result of the court's ruling no answer was given, but the question clearly shows that Mr. Schaffer knew the formula was the trade secret.

Mr. Schaffer moved for a Directed Verdict at the close of plaintiffs' case. (T 1071). He said, "As I understand Mr. Weins testimony – his testimony was that the trade secret what he claims as the trade secret is the formula that. was put up on the board –".

The court denied the Motion. (T 1979).

At the close of all of the evidence, Sporleder renewed his Motion for Directed Verdict at T 1069. Included in that Motion, Mr. Fisher said, "The law is clear that trade secrets do not protect concepts. It protects only tangible items such as customer lists or formulas, and the others are listed in the statute." (Emphasis added).

Mr. Schaffer then on behalf of Van Liere and En-R-G Max said at T 1071:

"As I understand Mr. Weins' testimony – his testimony was that the trade secret – what he claims as the trade secret is the formula up on the board . . . "

Mr. Schaffer then went on to say, "The formula that they claim to be the trade secret – or at least Mr. Meyer's claims is not the formula that is used by En-R-G Max." (T 1073). The court found there was substantial evidence to sustain the causes of action, (including both the misappropriation and the tort claim), and denied the motions. (T 1079). The jury resolved this fact question in favor of Weins and Meyer.

B.

O #20

The court found that, (1) there must be economic value which is not readily ascertainable by other means.

SDCL 37-29-1(4) provides that the trade secret must derive economic value actual or *potential*. The value was certainly shown in the record which shows that there was at the very least potential value.

Sporleder had always wanted to start selling their product (the joint feed secret owned 1/3 by Weins, 1/3 by Meyer and 1/3 by Sporleder). At the end of December, 1989, Sporleder wanted to start selling the feed when he found out how well it was working and told Mac Meyer that he had sold two semi loads of their feed product. Sporleder said that he had one semi load sold to an individual in Winner, S.D., and one semi load in Nebraska. Meyer told Sporleder they didn't have a manufacturing plant set up yet so they couldn't start selling, (T

212-213). This testimony from Defendant Sporleder establishes the potential economic value of the Weins-Meyer-Sporleder product. In addition, Van Liere said that Sporleder came to Colton some time in April, 1989. (T 430). Two or three weeks later Sporleder brought in the pop can with something Sporleder said was a tub product mix that would limit consumption. (T 432-434). By May 16, 1989, En-R-G Max had a national marketing plan. (T 455-456). Therefore, shortly after Sporleder showed Van Liere the product, Van Liere had a national marketing plan. The jury thought he was using the formula brought over shortly before that, which turned out to have economic value.

This court went on to say in O #20 that the trade secret must be a product that is not readily ascertainable and not generally known within the industry. The feed product developed by Weins and Sporleder was unique in that it was self-limiting. Weins had tubs at Coob Anderson's, an 80 year old rancher. Coob Anderson said he had been in the livestock market place for seventy years and that this was a new product in the market place. (T 307-308). Weins also had tubs at Lyle Steinman's place. Steinman said that he had never seen a cattle supplement like this on the market. (T-320). He said it was a lot different than Crystalix, a feed product he had used. (T 320). He also said that the product Weins brought out was different than Loomix, another feed product. (T 320-321). Robert Riser said that the Weins and Meyer product was unique. (T 338). The court in Instruction # 19 defined trade secret as:

> A trade secret is information, including a formula, pattern, compilation, program, device, method technique or process, that:

(1) derives independent economic value, actual or potential, from not being generally known to, or not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and

(2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Instruction # 19 is a verbatim quote from SDCL 37-29-1(4). There were no objections to Instruction # 19. (SJI-20) The jury resolved this issue in favor of the plaintiffs.

It is not the function of the Supreme Court to weigh conflicting evidence or to pass upon the credibility of witnesses. That task lies within the province of the jury. *Sharkey v. Washington Nat. Ins. Co.*, 373 N.W.2d 421 (S.D. 1985). On appeal when questioning the sufficiency of evidence to sustain a verdict, the reviewing court may examine the record to determine only whether there is *any competent and substantial evidence* to support the *verdict*, resolving all conflicts in evidence, *and* drawing all reasonable inferences favorable to the prevailing party. *Bentz v Cimarron Ins. Co.*, 114 N.W.2d 96 (S.D. 1962).

C.

O #21

The court said that combining of well-known feed materials if the formula was "within the realm of general skills and knowledge in the relevant industries." defeats the finding of a trade secret citing *Computer Care v. Service*

Sys. Enterprises, Inc., 982 F.2d 1063, 1072 (7th Cir. 1992). In Weins' and Meyer's brief filed in the appeal in this case they said:

> "Van Liere and Max claim that it was error to refuse its proposed Instr. # 3, which was based on *Computer Care v Service Sys. Inc.*, 982 F.2d 1063, 1072 (7th Cir. 1992). The statement in the proposed instruction is taken out of context. Computer Care was based on the Illinois Trade Secret Act which is different than SDCL 37-29-7. The ruling was that Computer Care's use of 12 different car repair services to "trigger" reminder letters rather than one or two basis services used by the competition, was not a protectible [sic] trade secret because the use of multiple triggers was not sufficient "secret" to be protected where there was *no* evidence that the information about different systems was not generally known in the industry, there was no evidence that using more than one trigger would not be obvious to someone entering the business, and there was no evidence that Computer Care had expended substantial time or money reaching the conclusion that using more than one trigger would be a good idea, and that Computer Care is the only company in the industry other than Service Systems using twelve triggers does not show the use of multiple triggers is a trade secret. The use of "trigger reminders" was already known and just because you use more than two doesn't make it a trade secret. Weins' and Meyer's expert Robert Riser said that what Weins had developed was "unique." Unique is defined by the New Webster Dictionary and Thesaurus (1992), "As being the only one of its kind, not like anything else of

> its kind, incomparable." The jury found that Weins' and Meyer's formula was not generally known. SDCL 37-29-2(4)(i).

In *Sokol Crystal Products v DSC Communications*, 15 F.3rd 1427 (7th Cir 1994), the court said at p. 1431 quoting from *American Can Co. v Mansukhami*, 742 F.2d 314 (7th Cir 1984) as follows:

> "That when the alleged trade secret is a particular combination of well-known and readily-available components, a misappropriation finding requires that the defendant's device be substantially derived from the plaintiff's secrets."

The jury as judges of the credibility of witnesses and as judge of the facts believed Riser, Weins' and Meyer's expert.

D.

O #22

The court said that the ease which one can develop a similar product is examined by focusing on the time it takes one to develop a similar product and the expense incurred, again citing *Computer Care.*, supra.

This concept was never presented to the jury. Van Liere proposed 55 instructions initially to the court for consideration. Their proposed instructions 1-30 and 40-46 were based on standard pattern jury instructions. Request numbers 31, 32, 54 and 55 dealt with *Sporleder v Van Liere and En-R-G Max, Inc.* Requests numbers 33, 34, 35, 36, 37, 38, 39, 47, 48, 49, 50, 51, 52, and 53 did not contain any request that the jury should consider *the ease that one can*

develop a similar product nor the expense of developing the product.

Van Liere and En-R-G Max at pp. 46-47 of its brief argue that it was error for the court not to give its proposed instruction that read, "simply being the first or only one to use certain information does not in and of itself transform otherwise general knowledge into a trade secret." (Proposed Instruction 3). That proposed instruction does not deal with the ease that one can develop or the expense involved in developing a trade secret. (This Instruction was not presented as part of the original request for instructions but can be found in Defendants' Van Liere and En-R-G Max, Inc.'s, Third Supplemental Court Instructions to the Jury), and is the only request based on *Computer Services Inc.* Sporleder did not cite Computer *Services Sys. Inc.*, supra, in either his opening brief or his Reply Brief.

Regardless, the facts of this case show that this trade secret was not easily developed. Weins started working on a tub product in 1983. Weins and Meyer first met in Mitchell, S.D., in September, 1988. (T 745-746) (T 602). That was when the two of them made a deal to proceed. (T 745). About a month later they mixed up a batch in Lyle Steinman's garage.

Exhibit W-50 shows that Weins was still testing in December, 1988. The records show he tested his feed on 12/13/88 (cattle) (T 816); 12/17/88 (horses) (T 819); 12/20/88 (horses) (T 820); 1/6/89 (cows) (T 822); 1/30/89 (horses) (T 824); 1/29/89 (cattle) (T 823); 2/12/89 (cattle) (T 822-823); and 2/20/89 (horses) (T 825). Sporleder never helped test the feed. (T 834).

As Weins tested, it was found that when he started cattle out, about a twelve percent green phosphoric is what was called Limiter One. About fourteen percent green is what he called Limiter Two and fifteen and one half percent he called Limiter Three. Weins believed he came up with the terms Limiter One, Two and Three about January, 1989. (T 933). It took at least from October, 1988 to January, 1989 to finalize the product. Meyer testified that as to the expense the plaintiffs' incurred and offered the checks which were received in evidence (Ex. 16, T 196). The jury was not instructed that they should consider the time and money expended by Weins and Meyer in developing the trade secret nor that the amount of time it took to develop the finalized trade secret was of any significance or that it was to consider on its own. deliberations the ease or expense necessary to develop the feed product when determining if there was, in fact, a trade secret. Considerable time and expense was involved.

E.

O #23

This court ruled that reasonable minds could have differed as to whether the economic value of Weins' product was readily ascertainable by other means. This was based on SDCL 37-29-(1)(4)(1) which reads:

> Derives independent economic value, actual or potential, from not being readily ascertainable by *proper* means by *other* person's who can obtain economic disclosure from its use. (Underling [sic] supplied).

Weins and Meyer feel that the court has misapprehended this statute. It would seem that by the "other person" we are talking about people who are outside the loop. The idea to use phosphoric acid as a limiting agent was suggested by Sporleder while he was a member of the Weins-Meyer-Sporleder joint venture. (T 185, 243). Sporleder is not an "other person", he is part of the joint venture. Sporleder took the feed product, (with phosphoric acid in it), and got together with Merle Van Liere and using the name En-R-G Max manufactured and sold the product. It is the use of the secret and confidential information developed by the joint venture and the appropriation by Sporleder to his own benefit together with Van Liere and En-R-G Max that is the claim of misappropriation in this case, not that some "other person" misappropriated the secret.

The trial court gave the jury the statutory definition of "misappropriation" in Instruction # 20. Sporleder disclosed the trade secret to Van Liere and En-R-G Max, which is a direct violation of this definition. Paraphrasing the definition:

"Misappropriation" is:

(2) The disclosure or use of a trade secret of another without express or implied consent by a person.

(ii)(B)(I) Acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use.

Comment: Weins and Meyer did not consent. Sporleder violated 37-29-1(2)(ii)(B)(II).

(iii) Derived from or through a person who owed a duty to maintain its secrecy or limit its use.

Comment: Van Liere and En-R-G Max violated 37-29-1(2)(ii)(BIII).

Van Liere and En-R-G Max rely on footnote 5 contained in its original brief to discuss the Phil Anderson patent. It read:

> 5. Sporleder says at pages 27-28 of his brief that the product that Weins and Meyer and he had developed was patented in 1956. That is not true. The product he refers to is a liquid product which was not combined with grain but relied on getting a source of corn cobs or grass in a separate container. What Weins and Meyer and Sporleder were developing was a feed that could be used anywhere, (not subject to freezing like the Anderson product), that took advantage of the fermenting process using a yeast and sugar process and that would be self limiting. According to Sporleder when he talked to Phil Anderson on the phone about the Weins, Meyer and Sporleder use of grain, yeast, sugar, limiting agent, etc., Anderson said it wouldn't work. (T 898). Anderson patented a liquid product. Weins, Meyer and Sporleder developed a dry product. They aren't the same. At trial this issue was not raised, nor was evidence presented that they were the same product.

F.

O #24

The court says that Weins admitted that the ingredients in his product were readily known in the market and that these kinds of ingredients are used to formulate feed supplements. The word formulate means according to Webster's Dictionary, "to express in a formula". He did not admit that his formula was well known in the market. He claimed his formula was a trade secret. He was turned down for a patent because it was a combination of well known feed materials as a feed supplement. That doesn't mean he didn't have a trade secret.

At page 48 of Weins' and Meyer's brief in response to the brief of Van Liere and En-R-G Max cited the case of *Castaphite v Hudson*, 444 F.2d 1313 (5th Cir) as follows:

> "Patent law is designated to encourage invention and the arts while trade secret law is designated to protect against another's secret."
>
> The court also said in *Castaphite* that a secret *unlike* a patent, need not be essentially new, novel or unique."

Weins and Meyer also set forth excerpts from *Kewanne Oil Co. v Bicron Corp.*, 416 U.S. 470, 94 S.Ct. id. 79, 49 L.Ed 2d 315 (1974) as follows:

> "Nothing in the patent law requires that States refrain from action to prevent industrial espionage.
>
> In addition to the increased costs for protection from burglary, wiretapping, bribery and the other means used to misappropriate trade secrets, there is the inevitable cost to the basic

> decency of society when one firm steals from another. A most fundamental human right, that of privacy, is threatened when industrial espionage is condoned or is made profitable; the state interest in denying profit to such illegal ventures is unchallengeable . . .
>
> Trade secret law provides far weaker protection in many respects than the patent law. While trade secret law does not forbid the discovery of the trade secret by fair and honest means, e.g., independent creation and reverse engineering, patent law operates "against the world," forbidding any use of the invention for whatever purpose for a significant length of time. *The holder of a trade secret also takes a substantial risk that the secret will be passed on to his competitors, by theft or by breach of a confidential relationship, in a manner not easily susceptible to discovery or proof."* (Underlining supplied).

Weins and Meyer have always contended that their trade secret was not taken by fair and honest means, but rather as a result of a breach of a confidential relationship.

G.

O #27

The court says that there was no substantial evidence showing that Weins took reasonable efforts to maintain his product's secrecy, SDCL 37-29-1(4)(ii). Secrecy is fundamental to the existence of a trade secret. This court adds, "Although the secrecy is not required to be absolute, reasonable precaution must be taken."

Sporleder owned 1/3 of the trade secret. Weins and Meyer each owned 1/3. They didn't tell anyone else what was in their trade secret. Mac Meyer testified that in December, 1988, no body else, except for "I, Jim Weins and Bob Sporleder . . . knew." (T 213-214). Van Liere said on 1/17/89 after looking at the cattle with Sporleder that were being tested by Weins that he was impressed with the product and also said, "I don't know what you guys' secret is, but you've sure got the right one." (T 231).

Van Liere testified that Sporleder came in one day and brought in a pop can that looked somewhat like a tub product mix. It was of hard consistency. Sporleder told Van Liere it was a tub product and was the one he had been working on and that Sporleder also said that he thought he could limit consumption on a continuous basis. (T 429-434).

Bette Van Liere testified that she signed an Affidavit in which she said:

> "I was present on the day Robert Sporleder brought the sawed off pop can into the Colton Feed Service . . . " (T 729)
>
> "I was present when he began to describe his idea of using Merle's patented En-R-G Flake in a tub product and using phosphoric acid as a limiting agent." (T 729)
>
> She said that was true when talking about the Affidavit that it said, "Robert Sporleder represented this as being an exclusive idea." (T 730)

Bette Van Liere attended a meeting with Merle Van Liere, Sporleder and their lawyer, Arlie Brende, on

6/26/91. (T 727). After the meeting she prepared a document entitled "Present Recollection Record." (T 727). When asked about that document she said: (p. 728 Line 18 to p. 729 Line 5)

Q. And I want to go down to – it's called – the heading on that page is called New Development and Patent Ownership; right?

A. Yes, sir.

Q. And I want to go down to subparagraph E.

A. Okay.

Q. And I want to ask if, during that meeting, did you not make the following comments to everybody present: That Bctte pointed out, to set the record straight, that since we have been marketing (selling) EN-R-G Max products for over one year, and since the idea was not Bob's alone, but was also Weins' and Meyer's also, none of the concept or process or packaging equipment is patentable?

Van Liere says that both he and Brende reviewed and signed the document entitled "Past Recollection". (T 1383) They agreed that they were using the idea of Weins and Meyer and that is what the jury found.

There is no evidence that anyone other than the parties themselves were involved in the misappropriation nor is there any evidence that any secrecy was breached except by Sporleder (in violation of SDCL 37-29-1(2)(ii)(B)(II)) taking the product to Van Liere and En-R-G Max who accepted and converted the formula to their own use in violation of SDCL 37-29-1(2)(ii)(B)(III).

H.

O #28

The court said in TGC Corp. v HTM, 896 F.Supp 751 (ED Tenn. 1995), that the product could be duplicated by viewing it and that matters disclosed in that manner cannot be a trade secret. The formula in Weins' and Meyer's product is not discernible just by looking at the product.

I.

O #30

This court found that there was no improper misappropriation by Sporleder and Van Liere. Weins and Meyer submit that this court overlooked two code sections that the jury said they violated. The jury found that the product was misappropriated by Sporleder in violation of SDCL 37-29-1(2)(ii)(B)(II) and by Van Liere in violation of SDCL 37-29-1(2)(ii)(B)(III).

J.

O # 31

This court found that there is no showing that Van Liere and Sporleder used the Weins and Meyer formula. The jury found that they did. Robert Riser, who testified as an expert for Weins and Meyer, said that Sporleder and Van Liere substituted beet molasses for cane molasses and that they substituted milo flour for ground corn. He said Van Liere and Sporleder used a cheaper phosphoric acid. He said the mineral package they substituted was

basically the same as Weins' and Meyer's mineral package. (T 343-344). Riser said these were minor changes but the Sporleder and Van Liere product was basically the same as Weins' and Meyer's product. (T 387).

Weins' expert said the Weins and Meyer and En-R-G Max product were essentially the same. Van Liere's expert said they weren't. The jury was instructed that they were the sole judges of all credibility of the witness and they believed Weins' expert on this point. Weins and Meyer submit that the court misapplied the law when it judged the credibility of the expert testimony.

CONCLUSION

The jury was told in Instruction # 12 that they are the sole judges of the question of fact and the credibility of the witnesses and the weight to give their testimony. That is based on a long history of South Dakota case law.

This court reviewed this case based on its interpretation of *Uncle B's Bakery, Inc. v. O'Rourke*, 920 F.Supp 1405, 1427 (ND Iowa 1996). Weins and Meyer submit that neither *Uncle B's* or *Economy* authorize de novo review of the facts and that *Grode v Grode*, supra, does not authorize de novo review of fact questions in jury cases. Weins and Meyer submit that based on the standard of review previously set forth for jury cases that the jury verdict on both counts I and II should be restored by this court.

Dated this 20th day of September, 1997.

Respectfully Submitted:

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CERTIFICATE OF SERVICE

I, David V. Vrooman, do hereby certify that I mailed by first class mail two true and correct copies of the within and foregoing Petition for Rehearing of Weins and Meyer to Mr. Michael Schaffer and Ms. Cheryle Wiedmeier, Attorneys at Law, P. O. Box 1030, Sioux Falls, South Dakota 57101-1030, and to Mr. Gale Fisher, Attorney at Law, P.O. Box 2206, Sioux Falls, South Dakota, 57101-2206, this 20th day of September, 1997.

/s/ David V. Vrooman
David V. Vrooman

APPENDIX 10

#20858-r-ANDERSON, Lee D. Circuit Judge
1999 SD 10

IN THE SUPREME COURT

OF THE

STATE OF SOUTH DAKOTA

JIM WEINS AND MAC MEYER,	Plaintiffs and Appellees,
v.	
ROBERT A. SPORLEDER,	Defendant,
and	Defendants and Appellants.
MERLE VAN LIERE, AND EN-R-G- MAX, INC.,	

PETITION FOR REHEARING

It is the position of Weins and Meyer that the court has misapprehended the law in the following three particulars.

1. At paragraph 4, the court stated that, "The trial court held that the tort claims asserted by Weins and Meyer were displaced by the Uniform Trade Secrets Act, SDCL 37-29-1."

It is the contention of Weins and Meyer that the exact opposite is true. Judge Severson carefully preserved the distinction between the two causes of action throughout the entire trial and has never ruled that the UTSA displaced the tort claims except as to the awarding of punitive damages.

2. At paragraph 12, this court stated that, "Under the facts of this case, the causes of action for fraud and deceit are necessarily a part of the misappropriation of a trade secret claim. Thus, these tort remedies were displaced by the claims of Van Liere and En-R-G Max, Inc., under the Uniform Trade Secrets Act, SDCL 37-29-7."

The fraud and deceit claims contain "extra elements" which make them separate and distinct from the trade secret claim. In addition, the trade secret case law in South Dakota at the time this case was tried, specifically allowed separate causes of action for a trade secret claim and a claim based on fraud and deceit.

3. At paragraph 13, this court held South Dakota's adoption of the Uniform Trade Secrets Act, SDCL 37-29-7, prevents a plaintiff from merely restating their trade secret claims as separate tort claims. In analyzing claims for the purpose of applying the displacement provision, the issue is not what label the plaintiff puts on their claims, but rather the court is to look beyond the label to the facts being asserted in support of the claims. *Leucadia, Inc. v. Allied Extrusion Technologies*, 755 F. Supp. 635 (DDel 1991). "A plaintiff 'may not rely on acts that constitute trade secret misappropriation to support other causes of action.' *Ed Nowogroski Ins., Inc. v. Rucker*, 944 P.2d 1093, 1097 (Wash. App.Div. 1997)."

Weins and Meyer disagree. South Dakota law provides at SDCL 37-29-7(b) that "This chapter does not effect (1) contractual remedies whether or not based on misappropriation of a trade secret; (2) other civil remedies that are not based on misappropriation of a trade secret."

ARGUMENT

The issues all being intertwined, the petitioners combine all three issues into one argument. Weins and Meyer will be referred to as W and M, Van Liere and En-R-G Max as VL and Sporleder as S.

On 4/19/95 VL filed a Motion for JNOV or New Trial, (SR 0902-0949). On 7/18/95 Judge Severson signed an Order Denying the Motion filed by VL for JNOV or Motion for New Trial. He left in place both the "trade secret count" and the "fraud and deceit count." (SR 0993). At the same time, Judge Severson, based on SDCL 37-29-3(b), struck the $200,000.00 punitive damages award assessed by the jury.

At the hearing before Judge Severson on the W and M Motion to Amend the Judgment, Conclusion of Law # 12 was raised by Cheryle Wiedmeier. Conclusion of Law # 12 deals with punitive damages.

The key word in Conclusion of Law # 12[1] is "since". What Judge Severson is saying is that "since" the jury found for Weins and Meyer on both the trade secret claim and fraud and deceit and breach of fiduciary duty claims, *no punitive damages* can be awarded on the fraud and

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[1] "12. Plaintiffs claims for fraud and deceit, and breach of fiduciary or confidential relationship are other civil remedies for misappropriation of a trade secret in that the elements required to prove these torts are within the elements of a misappropriation of trade secret under South Dakota law. Since a misappropriation of a trade secret was found by the jury, damages are only to be awarded for the misappropriation of a trade secret, not the claims for fraud and deceit, breach of fiduciary duty."

deceit and breach of fiduciary duty claim because the punitive damages were preempted by SDCL 37-29-7(b). Judge Severson clarified his position by adding Conclusion of Law # 13.[2] He did not strike the fraud and deceit and breach of fiduciary or confidential relationship claim. Rather he struck the punitive damages awarded by the jury on those claims. The analysis is supported by the 11/4/98 letter of Judge Severson, infra, (p. 13), wherein he stated at the third page: (page 16)

> "This court found and documented in its April 25, 1995 letter and findings dated May 25, 1995 SR 887, that general tort punitive damages conflicted with punitive damages under SDCL 37-29-3(b) since under the Trade Secret Act punitive damages are to be determined by the court rather than the jury and are limited to twice any award under SDCL 37-29-3(a). *The court allowed the $440,000 award to stand which compensated the plaintiffs for the misappropriation of trade secret claim as well as the breach of an oral contract claim and breach of fiduciary or confidential relationship against Sporleder and fraud and deceit Sporleder, Van Liere and En-R-G Max., all as found by the jury in the Jury Verdict.* Under SDCL 37-29-3(b) the court determined punitive damages would not be awarded for misappropriation of a trade secret." (Underlining supplied).

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[2] "13. The oral contract established a relationship demanding the exercise of proper care and acts and omissions in performance and gave rise to duty in tort action for fraud and deceit and breach of fiduciary or confidential relationship, *but did not exclude the preemption of the Uniform Trade Secret Act under SDCLs 37-29-7(b)(1) or (2) or form a separate non-tort contract basis for punitive damages under SDCL 21-3-4.*" (Emphasis added)

The compensatory damages were left intact on both counts, but the punitive damages awarded by the jury on the fraud, deceit and breach of fiduciary duty counts were stricken and Judge Severson refused to award any punitive damages.

The hearing record on the Motion to Amend the Judgment, which is the subject of *this* appeal shows: (T. p. 19 Line 23 through p. 22 Line 18)

MS. WIEDMEIER: I'm not going to go page by page.

Briefly, the tort claims were submitted to the jury and we had been arguing all along as the Court remembers that the tort claims should not have gone to the jury[3] because of displacement of the Trade Secrets Act, however, the Court did allow it to go to the jury so the jury found liability on both trade secret and the tort claims. Later when the Court reviews it in post-trial motions, *the Court said from reading the findings of fact, which are a part of the record, that the jury's tort claims were being displaced so punitive damages were not properly awarded by the jury, but you would allow the verdict to stand.* But now I'm faced with a record in which I have a fraud claim being submitted to the jury, all of the other tort claims being submitted to the jury plus post-trial motions in order to preserve my record and appeal all issues I think are appealable, I have to both address the submission of the claims to the jury which I have argued all along were improper as well as

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[3] The record does not support this statement. Weins and Meyer did not make a jury demand when they served and filed their complaint. (SR 2-5) The Answer of VL and En-R-G Max demanded a jury trial on all issues. (SR 13-19) Sporleder asked that the jury decide all issues of fact in his answer. (SR 12).

arguing the displacement which I think the court correctly found in post-trial motions. So I was just preserving my record in making all possible arguments necessary. (Underlining supplied).

THE COURT: *Wasn't the judgment NOV striking that denied*? (Underlining supplied).

MS. WIEDMEIER: I'm referring to the court's findings of fact of May 25, 1995.

THE COURT: All right. *Those were directed specifically to the – as you look at the opening paragraph, prejudgment, opening sentence states, the motion of plaintiffs Weins and Meyer for pre-judment* [sic] *interest and punitive damages having come on before the court*. (Underlining supplied).

MS. WIEDMEIER: Judge, but looking at it, you wouldn't have struck the punitive damages unless you found that tort claims were displaced, otherwise the punitive damages could have remained.

THE COURT: *No, there is a whole body of case law on what conflicting tort claims mean and is not necessarily true that all tort claims are stricken, only conflicting tort claims*. (Underlining supplied).

MS. WIEDMEIER: Well, then, as I understand the plaintiffs' argument, they should get punitive damages under their tort claims as well as under the Trade Secrets Act. And when they then made their motion, because the Trade Secrets Act motion for attorneys' fees has to be made to the Court because the jury is not allowed under state statute to determine punitive damages for trade secret, that has to be brought to the Court, so when they brought it to the Court in post-trial motions, this Court

said for whatever, you know, for the reasons that I'm not finding willful, I'm not going to award you any punitive damages for violation of Trade Secrets Act, but in addition I'm striking the punitive damages awarded by the jury under the tort claims, because that's all that was submitted them, was punitive damages for tort claims, so therefore, is no, is no punitive damages awarded because they're all awarded for displaced tort claims.

THE COURT: *All right. What happens, then when the Supreme Court has said that this is not a trade secret? Doesn't that reinstate the entire tort claim and punitive damages?* (Emphasis added)

MS. WIEDMEIER: If they had addressed the plaintiffs' notice of review, because in his notice of review he specifically attacks your decision to strike the punitive damages and says, no, you should have left those punitive damages in place because –

THE COURT: *But the Supreme Court sent it back, and the wording was that it reverses as to the tort claim, but instructs that the judgment being entered consistent with the verdict.* (Emphasis added).

Judge Severson was referring to 37-29-7 when he asked the question, "What happens when the Supreme Court has said there is no trade secret? Doesn't that reinstate the entire tort claim and punitive damages?"

Judge Severson was aware of the two annotations to SDCL 37-29-1 set out in the code at the time of this trial. The first was *Overholdt Crop. Ins. Serv. Co. v. Travis,* (8th Cir. 1991) 941 F.2d 1361, which stated that trade secret questions *were properly before the jury*. The other case was

Centrol v. Morrow, 489 N.W.2d 890 (SD 1992). *Centrol* was a case involving a claim for misappropriation of trade secrets. In *Centrol* the court denied a jury trial only for the reason that no timely request for jury trial was made, p. 897. In *Centrol* this court said:

> "The court did not limit the award of compensatory damages to the misappropriation of trade secrets. It found and included breach of fiduciary duty, unfair competition and related misconduct in the award. Therefore, although 37-29-3 controls as to damages for misappropriation of trade secrets, SDCL 21-2-1 is available for the remaining torts."[4]

Neither *Centrol* or *Overholdt* held that a fact question in a trade secret could not be decided by a jury. The *Centrol* case said the fraud and deceit claims were separate from the trade secret claims. Judge Severson, when considering the Motion for Amended Judgment which is the subject of this appeal based on those and perhaps other cases, decided that because the trade secret case was overruled by this court, the fraud and deceit case should survive. The rationale applied by Judge Severson is further bolstered by the language of the trade secret statute. The statute in SDCL 37-29-1 defines "trade secret" and "misappropriation". SDCL 37-29-2, which deals with injunctive relief, calls for a *court determination of fact prior to trial* as was the case in *Uncle B's Bakery, Inc.*,

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[4] It is not Appellees intent to attempt to re-open the court's decision that there is no right to have a jury to determine the facts in a trade secret case as this court decided in *Weins v. Sporleder*, 516 N.W.2d 569, but rather to show the posture of this case when it was tried.

v. O'Rourke, 920 F.Supp. 1405, 1427 wherein injunctive relief was requested prior to trial. This court also relied on *Economy Roofing and Insulating Co. v. Zumaris*, 538 N.W.2d 641 (Iowa 1995), in *Weins v. Sporleder*, 569 N.W.2d 16. Economy dealt with only the injunction portion of the UTSA. Weins and Meyer have never quarreled with the denial of a jury trial for injunctive relief as set forth in SDCL 37-29-2, but rather quarreled with the application of *Uncle B's* and *Economy* to a subsequent trial on the merits wherein a jury demand had been made as it was in this case. There is no statement set forth in the Uniform Trade Secrets Act that when willful and malicious appropriation has been alleged that the determination of the facts at trial are for the court only. The statute provides in SDCL 37-29-3 that if willful and malicious appropriation exists, without identifying the fact finder, the court can assess punitive damages.[5] Weins and Meyer assert that the trial court properly reinstated the fraud and deceit claim. Reviewing again, because it is important, SDCL 37-29-2 gives explicit jurisdiction to the *court* to rule on injunctive relief. SDCL 37-29-3(b) says if willful and malicious misappropriation exists, the *court* may award exemplary damages. The Uniform Trade Secrets Act does not say that a jury cannot be the fact finder when the case is

---

[5] This writer has only been able to find one case dealing with this point. In *Robert L. Cloud and Associates, Inc. v. Mikesell*, 69 Cal.App. 4th 1141; 82 Cal.Rptr. 143 (Feb. 1999), under a heading reading "Remedies under the UTSA", the Court, *after the jury had found for the plaintiffs on the trade secret issue, awarded plaintiffs punitive damages*. I have found no case other than the one at bar that says that the jury cannot be the fact finder in a trade secret case.

tried on its merits, and by specifying *court* in both 37-29-2 and 37-29-3(b), the implication is that a jury can be the fact finder when the case is tried on its merits. Why else would the act state "court" in two places and not state the whole case is to be heard by the court?

On 2/26/99 the 5th District Court of Fla. Appeals in *All Pro Sports Camp, Inc. etc. et. al. v. Walt Disney Company, etc. et al.*, 737 S.2d 363 cited at page 368, the holding in *Weins v. Sporleder*, 569 N.W.2d 16, 20, for the proposition, "that the two subsections in Uniform Trade Secrets Act definition of trade secret involve questions of fact." (The court did not discuss whether the facts should be found by the court or a jury). However, the Florida court discusses one issue at bar in this appeal. The court discussed the "extra element" test. The court held at page 367, "Further, the remaining claims – negligent misrepresentation, fraud and deceit, constructive or equitable fraud – all require proof of 'extra elements' . . . "

In this case the trial court instructed (# 9) on the definition of a "trade secret" and that reasonable efforts were necessary to maintain its secrecy. The court defined "misappropriation" of a trade secret fully in Instruction # 20. The court then went on to instruct the jury (# 23) that *if they found the supplement was not technically a "trade secret", and "if the oral contract clearly reveals the intent of Weins and Meyer and Sporleder to create a confidential relationship . . . " and "if you find that a confidential relationship existed by oral contract and that Sporleder, Van Liere and En-R-G Max conspired to break that confidentiality," the plaintiffs may recover damages from both Sporleder and Van Liere.*" The jury specifically found that Sporleder breached the contract, (p. 14, supra), and that Sporleder, Van Liere and

En-R-G Max were liable for fraud and deceit based on this Instruction.

Instruction # 23 clearly stated to the jury that it, the jury, did not have to find that there was a trade secret before the jury could find liability on the fraud and deceit claim. The court went on to define fiduciary relationship (# 27), conspiracy (# 28), and tortious interference (# 28A). The court also instructed the jury as to the elements of fraud and deceit (# 30) and joint venture (# 31). These are all extra elements.

There is a more or less built in "extra elements" in UTSA which differentiate a trade secret claim from a tort claim. SDCL 37-29-6 says:

> "(a) Except as provided in subsection (b) this chapter displaces conflicting *tort*, restitutionary and other *Law of this State* providing civil remedies for misappropriation of a trade secret.
>
> (b) This chapter *does not effect.*
>
> (1) Contractual remedies, *whether or not* based on misappropriation of a trade secret;
>
> (2) Other civil remedies that are not based upon misappropriation of a trade secret;"

This tort action was based on a *conspiracy to breach an oral contract* thus breaching a fiduciary relationship, (Inst. # 23), and also that there had been tortious interference with that oral contract. Exception (b)(1) applies in this case. The jury found that Sporleder breached the contract and that Van Liere and En-R-G Max conspired to break the confidential relationship.

The court, as part of the Verdict Form, (SR 0995), asked the jury to respond to certain questions. Question # 1 asked the jury if they found Weins and Meyer had a trade secret? (yes) Question # 2 asked which defendants did they find against on the trade secret? (all). Questions 3, 4 and 5 dealt with the issues other than the trade secret. # 3. Do you find in favor of Weins and Meyer on breach of contract? (yes) # 4. Do you find in favor of Weins and Meyer on the breach of fiduciary or confidential relationship claim? (yes) And, # 5. Do you find in favor of Weins and Meyer on their fraud and deceit claim? (yes) # 3, # 4 and # 5 are "extra elements" and do not apply to the trade secret claim.

Judge Severson kept the two counts separate and distinct and made it manifestly clear to the jurors the difference between a fraud and deceit claim and the trade secret claim. Weins and Meyer have never argued that Sporleder acquired the product by improper means. SDCL 37-29-1(1). Sporleder certainly had lawful access to the product. The argument was that assuming it was acquired by proper means that Sporleder and Van Liere then conspired to appropriate the product to their own use, thus breaching a fiduciary duty and that their actions were fraudulent and deceitful. These remaining claims all require proof of extra elements not contained in the misappropriation of a trade secret count.

Later on at the hearing we find in the hearing record the following: (T. p. 25 Line 17 to Line 22)

THE COURT: *Okay, But that in the beginning of that finding it specifically deals only with prejudgment interest and punitive damages, does it not?* (Underlining supplies).

MS. WIEDHEIER: *But does – so the same conclusions don't apply generally to the case that doesn't – I find that hard to understand.* (Underlining supplied).

Shortly thereafter, at the close of the hearing Judge Severson said, on the record: (T. p. 27 Lines 23 through p. 28 Line 3)

THE COURT: Okay. This time I'm, as I've done, I guess, some of the others I wrote, but this time I'm going to write specifically what my finding is so there's hopefully as little confusion as possible, and I'll have it out tomorrow because I know there is time concerns on this case, so I will get you something tomorrow.

The Judge did exactly what he said he would do. He wrote a letter opinion (SR 1177-1181) in which he said:

CIRCUIT COURT OF SOUTH DAKOTA

Second Judicial Circuit
425 North Dakota Avenue
Sioux Falls, South Dakota 57104-2471

Telephone (605) 367-5920
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CIRCUIT JUDGE
Glen A. Severson

November 4, 1998

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RE: Weins, et al. v. Sporleder, et al. CIV 91-2351

Dear Counsel:

This case was appealed to the South Dakota Supreme Court and the Court in its opinion filed September 9, 1997 at para 32 stated "We reverse and direct a judgment consistent with this opinion." On October 15, 1997 a remittitur was filed with the Minnehaha County Clerk of courts with the Supreme Court Judgment ordering "that this cause be and it is hereby remanded to said Circuit Court for further proceedings according to law and the decision of this Court."

Mr. Vrooman sent a letter to Circuit Court on March 4, 1998 with additional letters on March 9, 1998, March 10, 1998, June 30, 1998 and July 31, 1998. No motion was filed or noticed for hearing until October 28, 1998 based on plaintiffs position that no motion was required under SDCL 15-30-14. In the interim issues were raised as to an automatic stay under the Bankruptcy Act. Mr. Fisher has now moved to dismiss under SDCL 15-30-16 for failure to proceed within one year. In light of the claims of a bankruptcy stay and uncertainty over whether a motion is needed, the court finds good cause for the delay and Mr. Fishers motion on behalf of Sporleder is denied.

At hearing on Plaintiffs motion only a brief reference was made to the effect of any bankruptcy stay and the court is proceeding with this decision based upon a stay being released to allow the case to proceed prior to the

appeal proceeding in the Supreme Court. If any counsel know of any reason the entry of a judgment is stayed they are directed to advise the court immediately.

– Weins & Meyer brought this action in 1991. Based on the stipulation of the parties this case was consolidated for trial with Civ. 91-1931 on September 19, 1994. Thereafter the files at times became intermingled as well as voluminous. Since the cases have both been appealed to the South Dakota Supreme Court, for convenience this court will occasionally refer to the settled record for various documents. On March 14, 1995 Weins & Meyer filed an amended complaint, SR 705, which in addition to allegations of misappropriation of trade secrets, alleged, breach of oral contract, breach of fiduciary and confidential relationship and separate acts of fraud and deceit.

The case went to trial in March of 1995. The verdict, in the settled record at page 995, reflects the jury found the following:

1. Do you find that Weins and Meyer has a trade secret as defined in the Court's instruction?

   _X_ Yes ____ NO

   If you answer "yes", go to question 2. If you answer "no", skip to question 3.

2. Do you find in favor of Weins and Meyer on their trade secret claim which is defined in the Court's instructions as against the following Defendants?

Robert Sporleder ___X___ Yes ___ No

Merle Van Liere ___X___ Yes ___ No

En-R-G Max ___X___ Yes ___ No

3. Do you find in favor of Weins and Meyer on their breach of oral contract claim against Robert Sporleder as defined in the Court's instructions?

___X___ Yes ___ No

4. Do you find in favor of Weins and Meyer on their breach of fiduciary or confidential relationship claim which is defined in the Court's instructions as against the following defendants?

Robert Sporleder ___X___ Yes ___ No

Merle Van Liere _____ Yes ___X___ No

En-R-G Max, Inc. _____ Yes ___X___ No

5. Do you find in favor of Weins and Meyer on their fraud and deceit claim which is defined in the Court's instructions as against the following Defendants?

Robert Sporleder ___X___ Yes ___ No

Merle Van Liere ___X___ Yes ___ No

En-R-G Max, Inc. ___X___ Yes ___ No

(the verdict form then addresses damages)

Verdict Form Filed March 14, 1995. The jury awarded actual damages in the amount of $440,000 and punitive damages in the amount of $200,000. In a post-trial motion, the court overturned the punitive damages claim based on South Dakota's adoption of the Uniform Trade Secrets Act, Sec. 7, which provides:

SDCL 37-29-7. Effect on other law.

(a) Except as provided in subsection (b), this chapter displaces conflicting tort, restitutionary and other law of this state providing civil remedies for misappropriation of a trade secret.

(b) This chapter does not affect:

(1) Contractual remedies, whether or not based upon misappropriation of a trade secret;

(2) Other civil remedies that are not based upon misappropriation of a trade secret; or

(3) Criminal remedies, whether or not based upon misappropriation of a trade secret.

This court found and documented in its April 25, 1995 letter and findings dated May 25, 1995 SR 887, that general tort punitive damages conflicted with punitive damages under SDCL 37-29-3(b) since under the Trade Secret Act punitive damages are to be determined by the court rather than the jury and are limited to twice any award under SDCL 37-29-3(a). *The Court allowed the $440,000 award to stand which compensated the plaintiffs for the misappropriation of trade secret claim as well as the breach of an oral contract claim and breach of fiduciary or confidential relationship against Sporleder and fraud and deceit Sporleder, Van Liere and En-R-G Max, all as found by the jury in the Jury Verdict. Under SDCL 37-29-3(b) the court determined punitive damages would not be awarded for misappropriation of a trade secret.* (Emphasis added).

The better reasoned cases and comments view the UTSA as not mechanically preempting an entire field of law but allowing the common law to address wrongs that

involve more than the misappropriation or misuse of trade secrets. The Uniform Trade Secrets Act, Sec. 7 only preempts common law claims that "conflict" with its provisions. See *Powell Products, Inc. v. Products Co. v. Portion Pac*, 905 F.Supp. 346 (E.D. Va. 1995), *Micro Display Systems, Inc. v. Axtel, Inc.*, 699 F.Supp. 202 (D.Minn. 1988), *Boeing Co. v. Sierracin Corp.*, 738 P 2d 665 (Wash. 1987), *Bellboy Seafood Corp. V. Nathanson*, 410 N.W.2d 349 (Minn. App. 1987), *Web Communications Group, Inc., v. Gateway 2000, Inc.*, 889 F.Supp 316 (N.D.Ill 1995), 29 *Loy.U.Chi. L.J.* 841 at 382. The 1990 comment to section 7 specifically explains:

> This act does not deal with criminal remedies for trade secret misappropriation and is not a comprehensive statement of civil remedies. It applies to a duty to protect competitively significant secret information this is imposed by law. It does not apply to a duty voluntarily assumed through an express or an implied-I-fact [sic] contract. The enforceability of covenants not to disclose trade secrets and covenants not to compete that are intended to protect trade secrets, for example, is governed by other law. The act also does not apply to a duty imposed by law that is not dependent upon the existence of competitively significant secret information, like an agent's duty of loyalty to his or her principal. *Unif. Trade Secrets Act Sec 7 cmt., 14 U.L.A. 463 (1990)*

In dicta the Supreme Court observes "the trial court later found that the tort claims were displaced by the Uniform Trade Secrets Act, and struck the jury's award of punitive damages. The record establishes, however, that this trial court only struck the punitive damages provision, not the other causes of

actions. The Conclusions of Law (SR 889-890) in Paragraps [sic] 11, 12, 13 and 14 must be read in conjunction with paragraphs 15, 16, 17 and the April 24, 1995 written opinion incorporated in para 18. The punitive damages provision was found to be in conflict as under tort punitive damages are determined by the jury and under the UTSA they are determined by the court and limited to twice actual damages. This is a conflict. The survival of the other causes of actions is buttressed by the subsequent, July 18, 1995, denial of defendants motions for judgment notwithstanding the verdict requesting the tort claims to be stricken. SR 994 The April 24, 1995 letter incorporated in paragraph 18 of the May 25, 1995 Conclusions of Law states: (Underlining supplied).

> The issue of punitive damages was submitted to the jury in a special verdict form as the jury could have found in favor of Weins and Meyer as their claim for breach of fiduciary or confidential relationship, or their claim for fraud and deceit, and not in the issue of misappropriation of trade secret. In those situations the jury determines punitive damages.
>
> The jury returned a verdict which included a breach of trade secret. The Uniform Trade Secret Act displaces conflicting tort, restitutionary, and other laws providing civil remedies for misappropriation of trade secrets. The issue of punitive damages under SDCL 37-29-3(b) is thus left to the court if it finds willful and malicious misappropriation exists.

Further the Supreme Court found there to be no trade secret, reversed and direct a judgment consistent with their opinion. Based on the above line of cases and

the comment to section 7, with there being no trade secret, the damages found by the jury, based on causes of action other than trade secret, are not inconsistent with SDCL 37-29-3 or SDCL 37-29-7. This court thus will enter a judgment for $440,000 on the jury verdict for breach of an oral contract and breach of a fiduciary or confidential relationship against Sporleder and for fraud and deceit against Robert Sporleder, Van Liere, and En-R-G Max, Inc. and reinstate the award of punitive damages of $200,000 as determined by the jury since based on the Supreme Court opinion there is no trade secret and thus no conflict with the punitive damages found by the jury.

Mr. Vrooman may draft an order denying Mr. Fishers motion and a judgment for my signature in compliance with this letter and any restrictions based on bankruptcy law.

Sincerely,

Glen A. Severson
Circuit Court Judge

At the time Judge Severson wrote his letter of 11/4/98 he had been handling the two cases (W and M v. S and VL), (S v VL) for several years. He inherited the W and M v. S and VL case when Judge Heege retired. It was combined with the Sporleder v. Van Liere et al case for trial at the request of counsel for VL and S. Counsel for W and M agreed. There were two Motions for Summary Judgment filed by VL (SR 145-146 and SR 522-525). The trial(s) took eight days. No one was more familiar with the record than Judge Severson as to what had transpired. He knew the record and he knew he hadn't struck the tort claim and told counsel so at the time of the

hearing. Then, so that there could be no doubt as to what he did, he wrote his letter of 11/4/98. (Supra)

At paragraph 12 of this court's decision, the court concluded that, "Under the facts of this case, the cause of action for fraud and deceit are necessarily a part of the misappropriation of a trade claim." W and M take issue with this conclusion. The trial court instructed in Instruction # 2 that:

"Jim Weins and Mac Meyer allege that they have a trade secret in a livestock feed supplement and that Robert Sporleder, Merle Van Liere and EN-R-G Max, Inc., have misappropriated that trade secret," and;

"Weins and Meyer also allege that they have an oral contract with Robert Sporleder and that Robert Sporleder and Merle Van Liere conspired to breach that agreement." "Weins and Meyer also allege that a confidential or fiduciary relationship was created by the oral contract between them and Sporleder, which has been breached by Van Liere and En-R-G Max, Inc." "Finally, Weins and Meyer also assert that Robert Sporleder and Merle Van Liere have engaged in fraudulent and deceitful acts."

The trial judge clearly did not merge the two claims in its instruction, but rather kept the claims separate and distinct.

The court then instructed the jury on the statutory definition of "misappropriation" as defined in SDCL 37-29-1(2) in Instruction # 20, as follows:

"Misappropriation" is

(1) the acquisition of a trade secret of another by a person who knows or who has reason

to know that the trade secret was acquired by improper means; or

(2) the disclosure or use of a trade secret or another without express or implied consent by a person who:

(A) used "improper" means to acquire knowledge of the trade secret; or

(B) at the time of disclosure or use, knew or had utilized "improper" means to acquire it;

(i) derived from or through a person who had utilized "improper" means to acquire it;

(ii) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or

(iii) derived from or through a person who owed a duty to maintain its secrecy or limit its use; or

(C) before a material change of position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.

As stated earlier, in *Centrol, Inc. v. Morrow,* 489 N.W.2d 890 (SD 1992), this court considered a case which involved both a trade secret claim and breach of fiduciary duty, etc.

At page 896 in *Centrol,* supra, which was decided August 5, 1992, *after this case was commenced,* said:

"The Defendants claim the court erred in awarding exemplary or punitive damages to Centrol. As noted above, the trial court did not limit the damage award to misappropriation of trade secrets, but included breach of fiduciary duty, unfair competition and related misconduct. Therefore, the provisions of SDCL 21-3-2[7] and 38-29-3(b) apply.[8] Generally, exemplary or punitive damages are not recoverable for breach of contract. SDCL 21-3-2. However, in *Hoffman v. Louis Dreyfus Corp.*, 435 N.W.2d 211 (SD 1989), we stated:

> Conduct which merely is a; breach of contract is not a tort, but the contract may establish a relationship demanding the exercise of proper care and acts and omissions in performance may give rise to tort liability."

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[7] "SDCL 21-3-2 provides:

In any action for the breach of an obligation not arising from contract, where the defendant has been guilty of oppression, fraud, or malice, actual or presumed, or in any case of wrongful injury to animals, being subjects of property, committed intentionally or by willful and wanton misconduct, in disregard of humanity, the jury, in addition to the actual damage, may give damages for the sake of example, and by way of punishing the defendant."

[8] "SDCL 37-29-3(b) provides:

If willful and malicious misappropriation exists, the court may award exemplary damages in an amount *not exceeding twice* any award made under subsection (a)." (Emphasis added).

Clearly, in accordance with the holding in *Centrol*, even assuming that the theories of recovery are "necessarily" overlapping, recovery can be made under both theories.

It was noted earlier in this brief, (at page 5), that Ms. Wiedmeier told the court, "Briefly, the tort claims were submitted to the jury and we have been arguing all along as the Court remembers that the tort claims should not have gone to the jury because of displacement of the Trade Secrets Act, however, the Court allowed it to go to the jury so the jury found liability on both trade secret and the tort claims."

After the court instructed the jury as to the elements contained in the claim of Weins and Meyer, (Inst. # 2), the court gave instruction # 12 which read:

"You are the sole judges of all questions of fact and the credibility of the witnesses and the weight to give to their testimony. In deciding what testimony to believe, you may consider the witnesses' ability and opportunity to observe, their memories, their manner while testifying, any apparent interest, bias or prejudice, and the reasonableness of the testimony in light of all the evidence in the case.[6]

No objection, making the jury the sole judges of fact was made by any of the parties. (Partial Transcript), (Motions/Settling Instructions) page 24.

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[6] The jury, after listening to Sporleder and Van Liere's testimony, and after weighing their credibility awarded $440,000 compensatory damages, and $200,000 punitive damages.

In paragraph 13 of this court's decision, it holds that even if the tort claims were not displaced by the trial court, "these tort claims are so inextricably linked to the trade secret claim that this court must rule that they are displaced as a matter of law." This ruling overlooks, (1) the fact that Judge Severson clearly instructed on both causes of action separatey [sic] and that they were not "inextricably linked"; (2) the holding in *Centrol*, where the claims apparently were just as much "inextricably linked," which states at page 892: "On September 28, 1989, *Centrol* sued them claiming breach of non-disclosure, non-competition agreements, misappropriation of trade secrets, breach of fiduciary duties, conversion and for punitive damages." The *Centrol* court sorted out these various claims; and (3) the UTSA, itself, at SDCL 37-29-7 which provides "(b)" this chapter *does not affect*: (1) Contractual Remedies, *whether or not based upon misappropriation* of a trade secret. (That was the claim of W and M in the tort claim); (2) Other civil remedies that are not based upon a misappropriation of a trade secret.

Judge Severson, in his letter opinion, (page 16), supra, in this Petition, states why "2" does not automatically preempt cases that involve more than misappropriation of a trade secret. His reasoning is reflected by the Florida court in *All Pro Sports v. Walt Disney*, page 9, supra.

CONCLUSION

If there is no trade secret claim, then the tort claim should survive, regardless of the language contained in the UTSA. The jury was instructed separately on this

cause of action. The jury found specifically in response to a question posed by the Court that they found in favor of Weins and Meyer and against Sporleder, Van Liere and En-R-G Max, Inc., on their fraud and deceit claim. Judge Severson was correct when he entered the Amended Judgment including punitive damages against all three defendants. A rehearing should be granted.

Dated at Sioux Falls, South Dakota, this 10th day of February, 2000.

/s/ David V. Vrooman
David V. Vrooman
Attorney for Weins
and Meyer

CERTIFICATE OF SERVICE

I, David V. Vrooman, do hereby certify that I mailed by first class mail two true and correct copies of the within and foregoing Petition for Rehearing of Weins and Meyer to Ms. Cheryle Wiedmeier, Attorney at Law, P.O. Box 1030, Sioux Falls, South Dakota 57101-1030, this; 10th day of February, 2000.

/s/ David V. Vrooman
David V. Vrooman
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101 S. Main – Ste. 411
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APPENDIX 11

20858-r-ANDERSON, Lee D. Circuit Judge
1999 SD 10

IN THE SUPREME COURT
OF THE
STATE OF SOUTH DAKOTA

JIM WEINS AND MAC MEYER,
Plaintiffs and Appellees

v.

ROBERT A. SPORLEDER,
Defendant

and

MERLE VAN LIERE, AND
EN-R-G MAX, INC.,
Defendants and Appellants

SUPPLEMENTAL PETITION FOR REHEARING

This Supplemental Petition for Rehearing is filed to call this Court's attention to the decision of the Supreme Court of the State of Washington in the case of *Ed Nowogroski Ins., Inc. v. Rucker*, 971 P.2d 936 (Wash. 1999), which is an appeal of a lower court decision in *Ed Nowogroski Ins., Inc.* 944 P.2d 1093 (Wash AppDiv 1997), referred to in the Court's 1/26/00 decision as follows:

> "A plaintiff 'may not rely on acts that constitute trade secret misappropriation to support other causes of action.' *Ed Nowogroski Ins., Inc. v. Rucker*, 944 P.2d 1093, 1097 (Wash. AppDiv 1997)"

That quote is not consistent with the decision of the Supreme Court of Washington in the appeal.

The Washington Supreme Court stated, (copy attached), at page 941, "While the definition of a trade secret is a matter of law under the Uniform Trade Secrets Act, RCW 19.108.010(4), the determination in a given case, whether specific information is a trade secret, is a factual question." The Washington Court went on to say at page 942:

> "Once a common law concept, trade secret protection is now governed by statutes in most states, including Washington, *Machen, Inc. v. Aircraft Design, Inc.* 65 Wash. App. 319, 324, 828 P.2d 73 (1992). Forty-one states and the District of Columbia have adopted the Uniform Trade Secrets Act. Unif. Trade Secrets Act (amended (1985), 14 U.L.A. 152 (Supp. 1998). The Uniform Trade Secrets Act, RCW 19.108, was adopted in Washington in 1981 and provides that a plaintiff can receive damages for misappropriation of trade secrets. *Boeing Co. v. Sierracin Corp.*, 108 Wash2d 38, 46,738 P.2d 665 (1987); *Machen* 65 Wash.App at 324, 828 P.2d 73. The Act codifies the basic principles of common law trade secret protection. *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F2d 511, 520 (9th Cir.1993). A purpose of trade secrets law is to maintain and promote standards of commercial ethics and fair dealing in protecting those secrets. *Boeing*, 108 Wash.2d at 58, 738 P.2d 665 (citing *Kewanee Oil Co. v. Bicron Corp*, 416, U.S. 470, 481-82, 94 S.Ct. 1879, 40 L.Ed.2d 315 (1974).
>
> The Uniform Trade Secrets Act defines trade secret as follows:
>
> " 'Trade secret' means information including a . . . compil . . . -ation . . . that:
>
> (a) Derives independent economic value actual or potential, from not being generally known to, and

> not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and
>
> (b) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.' RCW 19.108.010(4)"

The Washington Court went on to say at page 942:

> "The portion of the Act's definition of "misappropriation" which applies here proscribes the disclosure or use of a trade secret of another without express or implied consent by a person who, at the time of disclosure or use, knew or had reason to know his or her knowledge of the trade secret was acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use. RCW 19.108.010(2)."[3]

This is the same language as used in the South Dakota definition of "misappropriation," SDCL 37-29-1(2)(ii)(B)(II).

The Court goes on at page 945 to discuss the question which is now the central issue in this appeal, that is whether a plaintiff can rely on acts that constitute trade secret misappropriation may be used to support other causes of action. The Washington Supreme Court answered, yes, at page 945 where it said:

> "As noted above, the Uniform Trade Secrets Act codifies the basic principles of common law trade secret protection. *MAI Sys. Corp.*, 991 F.2d at 520: see also 2 *Rudolf Callmann, The Law of Unfair Competition. Trademarks and Monopolies* Sec. 14.31, at 219 (4th ed. Supp.1996) (the same principles apply to the protection of customer

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[3] (Footnote not quoted).

> lists under the Uniform Trade Secrets Act as under the common law). In the absence of legislative intent to the contrary, prior common law which is not contradicted by the Uniform Trade Secrets Act should continue to guide the courts in the interpretation of the Act. See *Avnet, Inc. v. Wyle Lab., Inc.* 263 Ga. 615, 437 S.E.2d 302, 305 (1933) (*the state Uniform Trade Secrets Act is to be construed in harmony with the preexisting common law on trade secrets). The Uniform Trade Secrets Act only abrogates prior conflicting state law.* RCW 19.108.900,[5] *Boeing*, Wash.2d at 48, 738 P.2d 665. (Underlining supplied)

At page 665 in *Boeing Co. v. Sierracin Corp.*, 738 P.2d 665 (Wash.1987), the Washington Supreme Court said, "After a jury trial in the Superior Court, King County, Faith Enyeart, J., judgment was entered for designer on its trade secret claim . . . the Washington Supreme Court said starting at page 673, "The jury found that Sierracin had breached a contractual and confidential relationship with Boeing, and had misappropriated Boeing trade secrets. Sierracin argues that the trial court erred by not

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[5] The uniform Trade Secrets Act displaces conflicting tort, restitutionary and other law pertaining to civil liability for misappropriation of a trade secret, but does not affect contractual or other civil liability based on misappropriation of a trade secret or criminal liability for misappropriation of a trade secret. RCW 19.108.900. This state's common law that trade secrets may include both tangible and intangible information does not conflict with any provision in the Uniform Trade Secrets Act."

consolidating all of these claims into one for misappropriation under the Uniform Trade Secrets Act, RCW 19.108.

We reject this argument. RCW 19-108.900 specifically provides in part:

> (1) This chapter displaces conflicting tort, restitutionary, and other law of this state pertaining to *civil liability for misappropriation of a trade secret*. (Emphasis added).
>
> (2) This chapter *does not affect*: (Emphasis added).
>
> (a) Contractual or other civil liability or relief that is not based upon misappropriation of a trade secret . . .

See also Proceedings in Committee of the Whole, Uniform Trade Secrets Act of the National Conference of Commissioners on Uniform State Laws, at 6 (Aug. 3, 1978). The act *merely displaces conflicting tort, restitutionary and other law regarding civil liability for misappropriation*. (Emphasis added).

The United States Supreme Court has held that proof of trade secrets is not required for breach of confidentiality claims, which may be brought independent of trade secret claims. *E.I. DuPont DeNemour Powder Co. v. Masland*, 244 U.S. 100, 102, 37 S.Ct. 575, 61 L.Ed 1016 (1917); *Monolith Portland Mid West Co. v. Kaiser Aluminum and Chemical Corp.*, 407 F.2d 288, 293 (9th Cir 1969). *A confidential relationship alone is enough to prohibit disclosure.* (Emphasis added). *Island Air, Inc. v. LaBar*, 18 Wash.App. 129, 138-39 566 P.2d 972 (1977). *Furthermore, a contractual provision designated to protect against disclosure would also*

not be subject to displacement by the Uniform Trade Secrets Act." (Emphasis added).

CONCLUSION

The Washington Supreme Court made it clear that (1) the UTSA displaces *only* the common law pertaining to the misappropriation of a trade secret; (2) the UTSA does not affect contractual or other liability not based upon the misappropriation of a trade secret; (3) that the proof of a trade secret is not necessary to prove a claim for breach of confidentiality. (In Instruction #9 Judge Severson told the jury that if the oral contract clearly reveals the intent of Weins and Meyer and Sporleder to create a confidential relationship and that relationship was breached, the supplement does not have to be a "trade secret"); (4) common law which is not abrogated by the UTSA remains the law of the state; and (5) the applicable law is contained in *Ed Nowogroski Ins., Inc. v. Rucker*, 971 P.2d 936 (Wash.1999), and not the lower court decision reported at 944 P.2d 1093 (Wash App.Div).

This Court also stated with clarity in *Centrol v. Morrow*, supra, at 896 with the basic issues in a like manner by saying, " . . . the trial court did not limit the damage award to misappropriation of trade secrets, but included breach of fiduciary, unfair competition and *related misconduct*. (Emphasis added). The *Centrol* case did not say that a jury could not decide the factual questions in a trade secret case. There was no demand for a jury in *Centrol*. There was a demand for a jury in this case. The jury was instructed, (#2), in this case, without objection that they were the "sole judges of all questions of fact." In *Centrol*

the Court denied a claim by the defendant for a jury trial because no timely demand for a jury had been made. The Court ruled, "Therefore, defendants' failure to timely serve a demand for a jury trial within the time limits imposed by SDCL 15-6-38(b) constituted waiver." The implication was that if a jury demand had been made, the case would have been tried to a jury. In this case the defendants all demanded a jury trial. They did not object to the instructions making the jurors the sole "finders of fact." They argued ten legal issues in their brief, none of which stated that the UTSA claim was not a jury question. They did not make a record on the jury issue but reap the benefit of this Court's decision that a case brought pursuant to the UTSA is not a jury question. In *Nizielski v. Tvinnereim*, 453 N.W.2d 831 (S.D. 1990), this Court held that fundamental fairness requires upholding the jury's verdict after the conclusion of the trial, especially where both parties consented to a jury trial.

The jury found not only on the trade secret count but also found on the fraud, deceit and breach of confidentiality count. Judge Severson, as he said in his written opinion of 11/4/98, that he not only allowed the misappropriation of trade secret claim to stand, but that he also let "the breach or oral contract claim and breach of fiduciary or confidential relationship against Sporleder and the fraud and deceit claim against Sporleder, Van Liere and En-R-G Max, Inc., all as found by the jury in their verdict stand." A rehearing should be granted.

Dated at Sioux Falls, South Dakota, this 18th day of February, 2000.

Respectfully submitted,

/s/ David V. Vrooman
David V. Vrooman

CERTIFICATE OF SERVICE

I, David V. Vrooman, do hereby certify that I mailed by first class mail two true and exact copies of the within and foregoing Supplemental Petition for Rehearing of Weins and Meyer to Ms. Cheryle Wiedmeier, Attorney at Law, P.O. Box 1030, Sioux Falls, South Dakota 57101, this 18th day of February, 2000.

/s/ David V. Vrooman
David V. Vrooman
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101 S. Main – Ste. 411
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APPENDIX 12

STATE OF SOUTH DAKOTA)
: SS
COUNTY OF MINNEHAHA)

IN CIRCUIT COURT

SECOND JUDICIAL CIRCUIT

JIM WEINS and MAC MEYER, Plaintiffs, vs. ROBERT SPORLEDER, MERLE VAN LIERE and EN-R-G MAX, INC., Defendants.	CIV. 91-2351 VERDICT FORM (Filed Mar. 14, 1995)

1. Do you find that Weins and Meyer had a trade secret as defined in the Court's instructions?

X Yes ____ No

If you answer "yes", go to question 2. If you answer "no", skip to question 3.

2. Do you find in favor of Weins and Meyer on their trade secret claim which is defined in the Court's instructions as against the following Defendants?

Robert Sporleder	X Yes	____ No
Merle Van Liere	X Yes	____ No
En-R-G Max, Inc.	X Yes	____ No

3. Do you find in favor of Weins and Meyer on their breach of oral contract claim against Robert Sporleder as defined in the Court's instructions?

X Yes _____ No

4. Do you find in favor of Weins and Meyer on their breach of fiduciary or confidential relationship claim which is defined in the Court's instructions as against the following Defendants?

Robert Sporleder	X Yes	_____ No
Merle Van Liere	_____ Yes	X No
En-R-G Max, Inc.	_____ Yes	X No

5. Do you find in favor of Weins and Meyer on their fraud and deceit claim which is defined in the Court's instructions as against the following Defendants?

Robert Sporleder	X Yes	_____ No
Merle Van Liere	X Yes	_____ No
En-R-G Max, Inc.	X Yes	_____ No

6. If you have answered "yes" to any of the above, set forth the amount of Weins and Meyer's actual damages, if any.

$440,000 .

7. If you have found in favor of Weins and Meyer as to their claim for breach of fiduciary or confidential relationship, or as to their claim for fraud and deceit; you have found that Weins and Meyer have sustained actual damages as a result of these claims; and you have found that the acts of Sporleder, Merle Van Liere, and En-R-G

Max, Inc. were oppressive, fraudulent, malicious, willful, wanton, or in reckless disregard of the rights of Weins and Meyer as defined in the court's instructions; you may then determine whether or not to award punitive damages as against the Defendants whom you have found to be liable in Questions 4 and 5 above.

Do you find in favor of Weins and Meyer on their punitive damages claim as defined in the Court's instructions as against the following Defendants? If you answer "yes", set forth the amount of punitive damages, if any. If you answer "no", do not set forth any punitive damages.

Robert Sporleder	X	Yes		No	$100,000
Merle Van Liere	X	Yes		No	$ 50,000
En-R-G Max, Inc.	X	Yes		No	$ 50,000

8. If you have found for Weins and Meyer on any of their claims and if you have also found against more than one of the Defendants, and you further find that the liability between or among the Defendants is disproportionate as defined in the Court's instructions, state the proportion of liability attributable only to each of the Defendants whom you have found to be liable in the previous questions (your percentage must not exceed 100%). You may determine that two or more persons are to be treated as a single party if their conduct was a proximate cause of the damages claimed and if the acts or

omissions of such persons are so interrelated that it would be inequitable to distinguish between them.

Robert Sporleder	50%
Merle Van Liere	25%
En-R-G Max, Inc.	25%
Total	100%

Dated this 14 day of March, 1995.

/s/ Aileen F. Maddox
Foreperson

Supreme Court, U.S.
FILED
JUN 07 2000
CLERK

(2)

No. 99-1974

In The

Supreme Court of the United States

JIM WEINS AND MAC MEYER,

Petitioners,

v.

ROBERT A. SPORLEDER, MERLE VAN LIERE AND EN-R-G MAX, INC.,

Respondents.

On Petition For A Writ Of Certiorari To The Supreme Court Of South Dakota

BRIEF IN OPPOSITION

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28pp

QUESTIONS PRESENTED

1. Whether Petitioners have failed to raise a federal issue in their Petition.
2. Whether a federal question was raised by Petitioners before the South Dakota Supreme Court.
3. Whether a federal question was passed upon by the South Dakota Supreme Court.

PARTIES TO THE PROCEEDING

The Petition accurately identifies the parties.

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STATEMENT OF THE CASE

Petitioners' version of the facts is self-serving and makes incorrect statements such as Sporleder and Van Liere "produced En-R-G-Max, which was basically the same product as the product developed by Weins, Meyer and Sporleder" and that there was a "conspiracy between Sporleder, Van Liere and En-R-G Max, Inc." Petition, p. 8. These, and other misstatements and omissions by Petitioners, will be corrected in the following restatement of the case by Respondents Van Liere and En-R-G Max, Inc.

This case involves the development of livestock feed supplements to be fed free-choice in plastic tubs. Feed supplements take a variety of forms: from loose grains composed of one ingredient such as molasses; to mash, pellets, cubes, liquids, cakes, and blocks, tubs, or boxes that contain numerous ingredients. Feed supplements are generally made in three ways: heat process, cold process, and compressing. Because the feed is fed free-choice to livestock, various methods (e.g., hardening the product) and/or ingredients (e.g., salt) are added to attempt to limit the animal's consumption of the product to an optimal nutritional amount. For years prior to any lawsuit, Van Liere, Weins, and Sporleder had each been separately involved in the livestock feed business. *Weins v. Sporleder*, 1997 SD 111, ¶¶ 3-4, 569 N.W.2d 16, 17-18 (hereinafter *Weins I*).

In 1988, Weins, Meyer, and Sporleder began experimenting with a feed tub product that included numerous ingredients. All of the ingredients used in this feed product were well-known in the livestock industry and readily available for anyone to purchase. In fact, one of

the ingredients , En-R-G Flakes, was a product developed by Van Liere through a patented soybean flaking process Van Liere had developed. *Weins I*, 1997 SD 111, ¶¶ 3, 5, 569 N.W.2d at 17-18. The experimental tub product developed by Weins, Meyer, and Sporleder utilized "sugar and alcohol as limiting agents". *Weins I*, 1997 SD 111, ¶ 5, 569 N.W.2d at 18. When that product failed to satisfactorily limit consumption, Sporleder suggested that a well-known limiting agent, phosphoric acid, be used. *Weins I*, 1997 SD 111, ¶ 6, 569 N.W.2d at 18. The "precise results" of the adding of phosphoric acid to the product were unclear. *Id.*

In March, 1989, Weins and Meyer terminated their relationship with Sporleder. *Weins I*, 1997 SD 111, ¶ 7, 569 N.W.2d at 18. Subsequently, Sporleder went to Van Liere with a proposed tub product using phosphoric acid as a limiter. However, when experimental tubs of the product were tested, "consistency was never achieved." *Weins I*, 1997 SD 111, ¶ 8, 569 N.W.2d at 18. In May, 1989, as asserted by Van Liere, Van Liere began manufacturing his own tub product which he tested, resulting in a marketable product by August, 1989, called En-R-G Max. *Id.*

Contrary to Petitioners' assertion that "there was no similar product that effectively limited consumption" (Petition, p. 11), there were other similar products on the market which limited consumption. At trial, Weins admitted there were free-choice supplement tub products on the market in 1984 and 1985, including Crystalix and tubs sold by Prairie Livestock Products. Weins actually went down and looked at the Prairie Livestock Products tub

plant in Amarillo, Texas. Crystalix, a tub product of Hubbard, has been manufactured for twenty years and dominates the market. In fact, according to testimony given at trial by a rancher who tested some of Weins' product, Crystalix in a barrel was "pretty much the same as these [Weins and Meyer] had" except the barrel was metal. At trial, the evidence was that the Crystalix tub product also limited consumption.

In 1991, Weins and Meyer asserted a claim for violation of South Dakota trade secret law against Sporleder, Van Liere, and En-R-G Max, Inc. In count one of that complaint, Weins and Meyer asserted a South Dakota trade secret claim. In its first appeal decision, the South Dakota Supreme Court correctly stated that "there was never a clear assertion as to what exactly was claimed to be the trade secret." *Weins I*, 1997 SD 111, ¶ 18, 569 N.W.2d at 20.

At the jury trial, Weins and Meyer first stated that the trade secret was the formula they and Sporleder had developed by the end of December 1989, and that was set forth in the patent application which had been filed by Weins and Meyer. Among other testimony, Robert Riser, the expert retained by Weins and Meyer, contradicted any claim that the formula was a trade secret and agreed that "Anybody can come up with a formulation." Dr. White, the expert retained by Van Liere and En-R-G Max, Inc., testified that there is no such thing as a "secret formula" in the feed business due to the requirement of the disclosure of ingredients on feed tags and the availability of chemical analysis, microscopy, and mathematical models.

Weins and Meyer then claimed that the trade secret was the "concept for putting the tub together." In other

words, the idea of "buying raw ingredients, the mix – process of mixing, putting in a plastic tub with a formula ready for livestock out in the field – in the pasture." When questioned about this concept, Weins and Meyer admitted that the "setting up" of the tubs (i.e., the liquid absorbing the dry ingredients overnight) was "something that we accidentally stumbled into." Both Weins and Meyer also acknowledged that all ingredients they used were available for anyone to purchase. Weins even admitted that ingredients, such as the pre-mix, were "commonly used throughout the beef industry." Dr. White's testimony was most critical of this claimed trade secret, pointing out that everything done by Weins and Meyer was routinely done in the feed industry.

As the trial went on, the idea of using phosphoric acid and three limiters became a claimed trade secret. The knowledge of the use of phosphoric acid as a limiter, as discussed above, was well-known in the livestock feed industry. Furthermore, the fact that three limiters were used was not new or unique. As Meyer admitted, it could just as easily been four or five limiters. Dr. White testified, by using three limiters you are just "shooting the gap." Other feed manufacturing companies also used different levels of limiters.

Weins and Meyer repeatedly alleged that the use of plastic rather than steel tubs was a trade secret. Meyer admitted, however, "No. Later we found out that it probably was a novel idea, but it wasn't nothing (sic) that would hold water as far as standing out to be a secret. . . . Well, no one else was using it before we did, but once there out (sic), I suppose anyone could use it." In fact, Meyer admitted that other feed companies were using

plastic tubs and he was not accusing the other companies of misappropriating a trade secret.

The second count of the complaint was not for "tortious breach of a confidential relationship" as claimed by Petitioners. Petition, p. 8. In count two, Weins and Meyer asserted a breach of implied contract claim against Sporleder (not Van Liere and En-R-G Max, Inc.) also based on South Dakota law.

Weins and Meyer moved to amend the complaint in the fall of 1994. The amendment did nothing more than change a phrase in the second cause of action from "implied contract" to "oral contract". The alleged "oral contract" was between Weins and Meyer and Sporleder. Van Liere and En-R-G Max, Inc. were not part of the alleged contract.

This reading of the original and amended complaint was also recognized by the South Dakota Supreme Court, in its recitation of the facts in the opinion rendered on the first appeal. As stated in that opinion, the original complaint and first amended complaint of Weins and Meyer stated "a claim for violation of a trade secret law against Van Liere and En-R-G Max, Inc., as well as a contract action against Sporleder." *Weins I*, 1997 SD 111, ¶ 11, 569 N.W.2d at 19.

On the third day of the twelve-day jury trial, Weins and Meyer asked the trial court for leave to file a second amended complaint. The second amended complaint, in addition to the breach of contract claim against Sporleder and the misappropriation of trade secret claim, alleged tort claims of breach of fiduciary duty and fraud and deceit against Sporleder, Van Liere, and En-R-G Max, Inc.

See Appendix 60-63.[1] See also *Weins I*, 1997 SD 111, ¶ 12, 569 N.W.2d at 19; *Weins v. Sporleder*, 2000 SD 10, ¶ 2, 605 N.W.2d 488, 489 (hereinafter *Weins II*). Counsel for Van Liere and En-R-G Max, Inc. argued strenuously and on numerous grounds, including SDCL § 37-29-7, that the amendment was improper. SDCL § 37-29-7 is set out in full in the Petition, pp. 5-6.

Over all stated objections, the trial court allowed the amendment. As alleged by Weins and Meyer, the tort claims were based upon the following acts:

a) Appropriation of the secret as their own;

b) Lying to Jim Weins and Mac Meyer by denying they were in the process of preparing to manufacture and market the trade secret;

c) Not devulging [sic] to Jim Weins and Mac Meyer that a corporation was being formed to manufacture and distribute EN-R-G-MAX;

d) Fighting the patent application of Jim Weins;

e) Appropriating from Mitchell, S.D., the product used by Jim Weins, Mac Meyer and Robert A. Sporleder and taking it to Crooks, S.D., for the purpose of manufacturing EN-R-G-MAX.

Appendix 61.

Counsel for Van Liere and En-R-G Max, Inc. repeatedly argued to the trial court that these newly stated tort

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[1] All references to the Appendix in this brief are to the Appendix to Petitioners' Petition for Writ of Certiorari.

claims were displaced by SDCL § 37-29-7. Overruling these arguments, the trial court allowed the amendment and submitted the following claims to the jury on behalf of Weins and Meyer: breach of contract claim against Sporleder, and claims for trade secret, breach of fiduciary duty, and fraud and deceit against Sporleder, Van Liere, and En-R-G Max, Inc. The jury found against Sporleder on all counts. Appendix 137-140. The jury found that Van Liere and En-R-G Max, Inc. had not breached any fiduciary duty, but did find against those defendants on the trade secret and fraud and deceit claims. Appendix 137-140.

The jury awarded compensatory damages to Weins and Meyer for $440,000 apportioned as follows: 50% Robert Sporleder, 25% Merle Van Liere, and 25% En-R-G Max, Inc. *Id.* In addition, the jury awarded punitive damages against Sporleder in the amount of $100,000, against Van Liere in the amount of $50,000, and against En-R-G Max, Inc. in the amount of $50,000. *Id.* Although Petitioners assert otherwise (Petition, p. 14), Van Liere and En-R-G Max, Inc. had offered economic value testimony through John Wenande, a CPA who actually prepared the tax returns for En-R-G Max, Inc. Mr. Wenande testified as to the value of the company and stated it was considerably less than claimed by Petitioners. Wenande also testified that En-R-G Max, Inc. was not in an "extremely healthy" financial condition in that its current liabilities exceeded current assets.

After the trial, Weins and Meyer filed motions seeking prejudgment interest and punitive damages, both of which were resisted by opposing counsel. The trial court judge issued a letter opinion, dated April 24, 1995, in

which he denied both the request for prejudgment interest and the request for punitive damages. In the letter opinion, the court set out SDCL § 37-29-7. The court then stated:

> The issue of punitive damages was submitted to the jury in a special verdict form as the jury could have found in favor of Weins and Meyer as to their claim for breach of fiduciary or confidential relationship, or their claim for fraud and deceit, and not on the issue of misappropriation of trade secret. In those situations the jury determines punitive damages.
>
> The jury returned a verdict which included a breach of trade secret. The Uniform Trade Secrets Act displaces conflicting tort, restitutionary, and other laws providing civil remedies for misappropriation of trade secrets. The issue of punitive damages under S.D.C.L. 37-29-3(b) is thus left to the court if it finds willful and malicious misappropriation exists.

The trial court thus held that the tort claims asserted by Weins and Meyer were displaced by SDCL § 37-29-7. The punitive damages award by the jury was, therefore, stricken. Finally, the trial court determined that punitive damages were not warranted under SDCL § 37-29-3(b) as there had been no showing of willful and malicious misappropriation.

By motion, counsel for Weins and Meyer asked the trial court to reconsider this ruling. The motion was denied by the court, and Findings of Fact and Conclusions of Law were entered by the trial court judge. The Findings of Fact and Conclusions of Law stated that

Weins and Meyer were not entitled to prejudgment interest. As to the issue of punitive damages, the trial court concluded,

> 12. Plaintiff's claims for fraud and deceit, and breach of fiduciary or confidential relationship are other civil remedies for misappropriation of a trade secret in that the elements required to prove these torts are within the elements of a misappropriation of trade secret under South Dakota law. Since a misappropriation of a trade secret was found by the jury, damages are only to be awarded for the misappropriation of a trade secret, not the claims for fraud and deceit, breach of fiduciary duty.
>
> 13. The oral contract established a relationship demanding the exercise of proper care and acts and omissions in performance and gave rise to a duty in tort actions for fraud and deceit and breach of fiduciary or confidential relationship, but did not exclude the preemption of the Uniform Trade Secret Act under SDCL 37-29-7(b) (1) or (2) or form a separate non-tort contract basis for punitive damages under SDCL 21-3-2.

See *Weins II*, 2000 SD 10, 605 N.W.2d at 491, fn. 5. Also finding that there was no showing of willful and malicious misappropriation as required by SDCL § 37-29-3(b), the trial court concluded that Weins and Meyer were not entitled to an award of punitive damages on the trade secret claim. The trial court entered a judgment in favor of Weins and Meyer for $440,000.00 in compensatory damages, plus costs of $3,875.72.

Van Liere and En-R-G Max, Inc. moved for a new trial, or, alternatively, for judgment notwithstanding the

verdict. The trial court denied these motions, resulting in the first appeal to the South Dakota Supreme Court. In a September 3, 1997 decision on that first appeal, the South Dakota Supreme Court stated, "The trial court later found that the tort claims were displaced by the Uniform Trade Secrets Act and struck the jury's award of punitive damages." *Weins I*, 1997 SD 111, ¶ 1, 569 N.W.2d at 17.

In that appeal, Weins and Meyer filed the following Notice of Review issues:

> I. Whether the trial court erred in striking the punitive damages awarded by the jury.
>
> II. Whether Weins is entitled to prejudgment interest on the compensatory damages awarded by the jury.
>
> III. Whether punitive damages and attorney's fees should have been awarded on the first cause of action, misappropriation of a trade secret.

Weins I, 1997 SD 111, ¶ 14, 569 N.W.2d at 19. More specifically, Weins and Meyer argued on the first notice of review issue: "The court incorrectly applied SDCL § 37-29-7(b)(2) rather than SDCL § 37-29-7(b)(1) to the Second Cause of Action." Brief of Appellees Jim Weins and Mac Meyer in Response to Brief of Merle Van Liere and En-R-G Max, Inc. (Appeal Nos. 19307, 19308, 19310 and 19315). None of the Notice of Review issues, nor any discussion by Petitioners of the issues raised by Respondents, included any claimed violation of federal law. No versions of the Petitioners' complaint had ever set forth any alleged claim involving federal law.

After determining that there was no trade secret as a matter of law, the South Dakota Supreme Court directed, "Due to our holding on the trade secret issue, we need not address the remaining issues in this case. We reverse and direct a judgment consistent with this opinion." *Weins I*, 1997 SD 111, ¶ 32, 569 N.W.2d at 24. Petitioners filed a petition for rehearing which restated their previous arguments; again, no federal question was raised. The petition was denied by the South Dakota Supreme Court. Appendix 34-35.

Subsequently, counsel for Petitioners submitted letters to the trial court and filed a Motion to Amend Judgment on October 28, 1998. A hearing was held on the Motion to Amend Judgment on November 3, 1998. On November 4, 1998, the trial court issued a Memorandum Opinion in which the trial court examined the application of SDCL § 37-29-7 and concluded,

> Based on the above line of cases and the comment to section 7, with there being no trade secret, the damages found by the jury, based on causes of action other than trade secret, are not inconsistent with SDCL 37-29-3 or SDCL 37-29-7. This court thus will enter a judgment for $440,000 on the jury verdict for breach of an oral contract and breach of a fiduciary or confidential relationship against Sporleder and for fraud and deceit against Robert Sporleder[,] Van Liere, and En-R-G Max, Inc. and reinstate the award of punitive damages of $200,000 as determined by the jury since based on the Supreme Court opinion there is no trade secret and thus no conflict with the punitive damages found by the jury.

An Amended Judgment was entered reflecting this ruling by the trial court. Appendix 54-56.

Respondents Van Liere and En-R-G Max, Inc. appealed the Amended Judgment to the South Dakota Supreme Court. On January 26, 2000, the South Dakota Supreme Court issued its decision reversing the trial court and specifically ordering that a judgment be entered in favor of Van Liere and En-R-G Max, Inc. *Weins II*, 2000 SD 10, ¶ 17, 605 N.W.2d at 492. The South Dakota Supreme Court's decision was based upon its application of SDCL § 37-29-7 to the facts of the case.

In the second appeal, Petitioners brought no Notice of Review issues and raised no claimed violations of federal law in their brief on appeal. No issue of federal law was raised in the Petition for Rehearing filed by Petitioners on the second appeal. The petition was denied by the South Dakota Supreme Court.

REASONS FOR DENYING THE WRIT

The Supreme Court can only exercise appellate jurisdiction over those cases prescribed by Congress. See U.S. Const. art. 3, § 2. See also *American Constr. Co. v. Jacksonville, T. & K. W. Ry. Co.*, 148 U.S. 372, 378 (1893). Since 1988, the Congressional authorization for review of the decision of state courts has read as follows:

> Final judgments or decrees rendered by the highest court of a State in which a decision could be had, may be reviewed by the Supreme Court by writ of certiorari where the validity of a treaty or statute of the United States is drawn

> in question or where the validity of a statute of any State is drawn in question on the ground of its being repugnant to the Constitution, treaties, or laws of the United States, or where any title, right, privilege, or immunity is specially set up or claimed under the Constitution or the treaties or statutes of, or any commission held or authority exercised under, the United States.

28 U.S.C. § 1257(a).

In this case, no federal issue has been raised in the Petition. 28 U.S.C. § 1257(a). Furthermore, even if the Petition were construed to raise a federal issue, no federal issue was presented to the South Dakota Supreme Court nor passed upon by that court. "With 'very rare exceptions' . . . we have adhered to the rule in reviewing state court judgments under 28 U.S.C. § 1257 that we will not consider a petitioner's federal claim unless it was either addressed by, or properly presented to, the state court that rendered the decision we have been asked to review." *Adams v. Robertson*, 520 U.S. 83, 86 (1997).

I.

PETITIONERS HAVE FAILED TO RAISE A FEDERAL ISSUE IN THEIR PETITION.

As noted by this Court, generally in order for review of a state court decision to be granted, "it must be made to appear that some provision of the Federal, as distinguished from the state, Constitution was relied upon, and that such provision must be set forth." *New York Central & Hudson River Railroad Co. v. New York*, 186 U.S. 269, 273 (1902). Petitioners cite to no provision of federal constitutional law, as well as no treaty, and no federal statutory or

regulatory law in their Petition. As stated by the United States Supreme Court in its rules, the types of state court cases the Court considers are state court cases deciding "an important federal question in a way that conflicts with the decision of" another court and st te court decisions deciding "an important question of federal law that has not been, but should be, settled by this Court[.]" Sup. Ct. R. 10(b) and (c). Having failed to raise a federal issue, the Petition should be denied.

The case of *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969) does not satisfy Petitioners' obligation to identify a question of federal law. In *Lear*, the defendant contracted with Adkins, the plaintiff/inventor, for aid in developing a gyroscope used in airplane navigation. The licensing agreement provided for royalties if any advancement that the plaintiff developed was patented. Adkins' method of construction was utilized by defendant, however, Adkins was unable to receive a patent until his fourth attempt. During the six years between his initial patent application and the final, successful application, the defendant started, then stopped royalty payments. Adkins brought a contract action for royalties.

Contrary to Petitioners' assertion that "No patent issue was decided by the California Supreme Court" (Petition, p. 23), the California Supreme Court applied a long-recognized principle of federal patent law in its decision: that the doctrine of estoppel barred Lear from presenting any evidence questioning the granting of the patent in light of its licensing agreement with Adkins. *Lear*, 395 U.S. at 656. As stated by the Court, "Since the California Supreme Court's construction of the 1955 licensing agreement is solely a matter of state law, the

only issue open to us is raised by the court's reliance upon the doctrine of estoppel to bar Lear from proving that Adkins' ideas were dedicated to the common welfare by federal law." *Lear*, 395 U.S. at 661-662. There is no similar issue in this case.

Instead, Petitioners cite to footnote 9 of the *Lear* opinion. That footnote gives no basis for this Court to grant the petition in this case. As stated by the Court in that footnote,

> Adkins also filed a second cause of action which contended that Lear had wrongfully appropriated a valuable trade secret and so was liable regardless of the validity of the inventor's contractual and quasi-contractual theories. The trial court, however, required Adkins to choose between his contract and tort claims. Since the California Supreme Court completely vindicated the inventor's right to contractual royalties, it was not obliged to consider the propriety of this aspect of the trial judge's decision. Consequently, the tort claim is not before us at this time.

Lear, 395 U.S. at 660, fn. 9. There is nothing in that footnote which supports any reason for the Court to grant the Petition for Writ of Certiorari in this case.

Furthermore, as has been already determined by the United States Supreme Court, state trade secret laws, similar to those enacted in South Dakota, do not conflict with federal patent laws. See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974). There is no federal question, therefore, for Petitioners to raise.

On page 22 of their Petition, Petitioners set out a long quote from *Boeing Co. v. Sierracin Corp.*, 108 Wn.2d 38, 738 P.2d 665 (1987). Apparently referring to this quote, Petitioners also assert that the South Dakota Supreme Court decision is in "direct conflict with a U.S. Supreme Court decision." Petition, p. 24. The *Boeing* case, however, was not relied upon by the South Dakota Supreme Court in either *Weins I* or *Weins II*. In addition, there was no federal common law "breach of confidentiality" claim asserted by Petitioners in their complaint, amended complaint, or second amended complaint. Even if such a claim is included in the "breach of fiduciary duty" theory asserted by Petitioners, the jury found in favor of Van Liere and En-R-G Max, Inc. on that issue. Appendix 138. There is no federal issue, and no conflict with a United States Supreme Court decision.

Petitioners have failed to raise, and cannot raise, any federal question in their Petition. For this reason, alone, a Writ of Certiorari should not be issued.

II.

NO FEDERAL QUESTION WAS RAISED BEFORE THE SOUTH DAKOTA SUPREME COURT.

Even if Petitioners had properly raised a federal question in their Petition, their Petition must be denied because they failed to properly raise any federal question before the South Dakota Supreme Court. As noted by this Court in *Bakers Life & Casualty Co. v. Crenshaw*, 486 U.S. 71, 79-80 (1988), "comity to the States, and . . . a constellation of practical considerations, chief among which is our own need for a properly developed record on appeal"

precludes the Supreme Court from ruling on issues not in the record. See also Sup. Ct. R. 14.1(g)(i).

These concerns were more completely addressed by the Supreme Court in *Webb v. Webb*, 451 U.S. 493 (1981) in which the Court stated,

> It is appropriate to emphasize again . . . that there are powerful policy considerations underlying the statutory requirement and our own rule that the federal challenge to a state statute or other official act be presented first to the state courts. These considerations strongly indicate that we should apply this general principle with sufficient rigor to make reasonably certain that we entertain cases from state courts only where the record clearly shows that the federal issue has been properly raised below.
>
> In the first place, although the States are sovereign entities, they are bound along with their officials, including their judges, by the Constitution and the federal statutory law. Principles of comity in our federal system require that the state courts be afforded the opportunity to perform their duty, which includes responding to attacks on state authority based on the federal law, or, if the litigation is wholly private, construing and applying the applicable federal requirements . . . .
>
> There are also very practical reasons for insisting that federal issues be presented first in the state-court system. The requirement affords the parties the opportunity to develop the record necessary for adjudicating the issue. It permits the state courts to exercise their authority, which federal courts, including this one, do not have at least to the same extent, to construe

> state statutes so as to avoid or obviate federal constitutional challenges such as vagueness and overbreadth. The rule also insures that if there are independent and adequate state grounds that would pretermit the federal issue, they will be identified and acted upon in an authoritative manner. Finally, if the parties to state-court litigation are required to present their federal claims in the state tribunals in the first instance, those issues will be adjudicated in the state courts where necessary to dispose of the case. In most instances, such a judgment will be supported by an opinion that may well obviate any reason for our giving plenary consideration to the case. In terms of our own workload, this is a very substantial matter.

Webb, 451 U.S. at 500-501.

Petitioners failed to raise any federal question in their complaint, amended complaint, or second amended complaint. Although it would not be sufficient, Petitioners also failed to advance a federal constitutional, federal statutory, federal regulatory, or applicable federal common law provision in their briefs on appeal to the South Dakota Supreme Court or in any petitions for rehearing to the South Dakota Supreme Court. See *New York Central & Hudson River Railroad Co. v. New York*, 186 U.S. at 272-273; *Webb*, 451 U.S. at 496, fn. 3; *Board of Directors of Rotary International v. Rotary Club*, 451 U.S. 537, 550 (1987).

Even if the Petitioners had properly raised a federal question below, the Petitioners failed to cite any authority in support of any such argument, thereby waiving it under South Dakota law. See SDCL § 15-26A-60(6);

Gleason v. Peters, 1997 SD 102, ¶ 20, 568 N.W.2d 482, 486; *Weger v. Pennington County*, 534 N.W.2d 854, 859 (S.D. 1995); *Guthmiller v. South Dakota Dept. of Transportation*, 502 N.W.2d 586, 589 (S.D. 1993). See *Webb*, 451 U.S. at 498, fn. 4.

In its two reviews of the case on appeal, the South Dakota Supreme Court did not pass upon any issue involving federal law. "When 'the highest state court has failed to pass upon a federal question, it will be assumed that the omission was due to want of proper presentation in the state courts, unless the aggrieved party in this Court can affirmatively show the contrary.' " *Board of Directors of Rotary Inter'l*, 481 U.S. at 550 (quoting *Exxon Corp. v. Eagerton*, 462 U.S. 176, 181, fn. 3 (1983) (quoting other cases)). See also *Webb*, 451 U.S. at 495-496. Petitioners cannot meet their burden of affirmatively showing that they properly raised a federal question.

Due to the Petitioners' failure to properly raise a federal question before the South Dakota Supreme Court, a Writ of Certiorari should not be issued.

III.

NO FEDERAL QUESTION WAS PASSED UPON BY THE SOUTH DAKOTA SUPREME COURT.

The South Dakota Supreme Court did not pass upon any federal question, but based its decision solely on South Dakota substantive law. The United States Supreme Court has "no power to revise judgments based on questions of state [substantive] law." *Henry v. Mississippi*, 379 U.S. 443, 446-47 (1965). "Respect for the independence of state courts, as well as avoidance of rendering advisory opinions, have been the cornerstones of this Court's

refusal to decide cases where there is an adequate and independent state ground." *Michigan v. Long*, 463 U.S. 1032, 1040 (1983).

In *Weins I*, which was decided nearly three years ago,[2] the South Dakota Supreme Court did refer to cases from other states in addressing whether Weins and Meyer had a trade secret. See, e.g., *Weins I*, 1997 SD 111, ¶ 19, 569 N.W.2d at 20. The South Dakota Supreme Court simply looked to these cases for guidance in interpreting South Dakota trade secret law which is based upon the Uniform Trade Secrets Act.

In reaching its decision, the South Dakota Supreme Court concluded, as a matter of South Dakota law, that Weins and Meyer did not have a trade secret. The South Dakota Supreme Court was not bound to follow *Economy Roofing and Insulating Co. v. Zumaris*, 538 N.W.2d 641 (Iowa 1995). In fact, the only references the South Dakota Supreme Court made to that decision were in reference to another case which cited *Economy* for the standard of review. As stated by the South Dakota Supreme Court, "We agree with the standard of review applied in a similar case, *Uncle B's Bakery, Inc. v. O'Rourke*, 920 F.Supp. 1405, 1427 (N.D.Iowa 1996) (interpreting Iowa law)." *Weins I*, 1997 SD 111, ¶ 16, 569 N.W.2d at 20.

Furthermore, even if it is assumed that the Iowa Supreme Court might have applied the facts to the law

---

[2] The Petition should also be denied as being untimely (see Sup. Ct. R. 13) as to the first decision of the South Dakota Supreme Court which was decided on September 3, 1997. A petition for rehearing was denied by the South Dakota Supreme Court on October 9, 1997. *Weins I*, 1997 SD 111, 569 N.W.2d 16.

differently than the South Dakota Supreme Court, that would not justify the granting of the Petition in this case. As pointed out in Sup. Ct. R. 10, "A petition for a writ of certiorari is rarely granted when the asserted error consists of erroneous factual findings or the misapplication of a properly stated rule of law."

The Washington Supreme Court decision cited by Petitioners also does not alter this analysis. In *Weins II*, the South Dakota Supreme Court cited *Ed Nowogroski Ins., Inc. v. Rucker*, 88 Wn.App. 350, 944 P.2d 1093, 1097 (1997) simply for the legal tenet: "A plaintiff 'may not rely on acts that constitute trade secret misappropriation to support other causes of action.' " *Weins II*, 2000 SD 10, ¶ 13, 605 N.W.2d at 492. In the *Nowogroski* court of appeals decision cited, that statement was made in the context of the court addressing the displacement effect of the Uniform Trade Secrets Act as adopted by the State of Washington. On appeal, however, the Washington Supreme Court did not address that issue. As stated by the Washington Supreme Court, "Nowogrowski Inc. does not argue to this Court that other tort causes of action should have been allowed to go to trial. . . . " *Ed Nowogrowski Ins., Inc. v. Rucker*, 137 Wn.2d 427, 971 P.2d 936, 941 (1999).

The only issue on appeal to the Washinton Supreme Court in *Nowogroski* was whether memorized information could constitute a trade secret. In the present case, the issue of what is a trade secret under South Dakota law was decided many years ago in *Weins I*. The decision of the Washington Supreme Court, therefore, changes nothing as to the South Dakota Supreme Court's decisions in *Weins I* or *Weins II*.

It should also be noted that to the extent federal district courts and courts of appeal decisions have addressed trade secret claims, they are applying the trade secret law of the states in which they sit. See, e.g., *Rohm & Haas Co. v. Adco Chem. Co.*, 689 F.2d 424, 428 (3rd Cir. 1982). Any reference to federal cases by the South Dakota Supreme Court was for guidance in interpreting Sioux Dakota law and does not create any federal issue appropriate for review by this Court. *Michigan*, 463 U.S. at 1041.

As the South Dakota Supreme Court did not pass upon any federal question, a Writ of Certiorari should not be issued.

CONCLUSION

For the foregoing reasons, a Petition for Writ of Certiorari should be denied.

Dated at Sioux Falls, South Dakota, this 7th day of July, 2000.

Respectfully submitted,

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No. 99-1974

In The

Supreme Court of the United States

JIM WEINS AND MAC MEYER,

Petitioners,

v.

ROBERT A. SPORLEDER, MERLE VAN LIERE AND EN-R-G MAX, INC.,

Respondents.

On Petition For A Writ Of Certiorari To The Supreme Court Of South Dakota

REPLY TO RESPONDENTS VAN LIERE AND EN-R-G MAX, INC'S. BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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REPLY TO RESPONDENTS' VAN LIERE AND EN-R-G MAX, INC'S, BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

Petitioners' Weins and Meyer submit their Reply Brief to Responderts' Van Liere and En-R-G Max, Inc's. Brief in Opposition To Their Petition For a Writ of Certiorari. Van Liere and En-R-G Max argue that the Petition should be denied because (1) Petitioners have failed to raise a federal issue; (2) that no federal question was raised by the Petitioners before the South Dakota. Supreme Court; and (3) whether a federal question was passed upon by the South Dakota Supreme Court. These arguments should fail for the following reasons which are listed in the same numerical order as above, (1) the Petitioners have raised federal issues; (2) the federal issues were raised by the South Dakota Supreme Court; and (3) the South Dakota Supreme Court passed upon all of the issues raised.

The Respondents set out the case in a 16 page narative statement, plus three reasons for denying the Writ. References in this Reply Brief to the issues set out in the Statement of the Case will, follow the brief of the opposition by page number designated by p.# followed bar a paragraph ¶ #. The paragraph # will refer to the page # where the paragraph begins.

References to the Appendix will be (App.) followed by the Appendix #'s which are printed in the Petition for Certiorari.

REPLY

P.1 ¶ 1. The statements of fact are not incorrect. Petitioners statements of fact were all taken from the record made at trial.

P.1 ¶ 3. Sporleder did suggest the use of phosphoric acid as a limiting agent in November, 1988, while Weins,

Meyer and Sporleder were still partners. Phosphoric acid was used in conjunction with a feed product that took advantage of a fermentation process with the use of a yeast and fermentation which Sporleder acknowledged was Weins idea. Weins, Meyer and Sporleder mixed a batch on 11/2/88 which was fed to cattle. The mixture worked. This is the product that Weins, Meyer and Sporleder attempted to patent.

P.2 ¶ 1. Consistency was achieved in the batch mixed on 11/2/88.

P.2 ¶ 2. On or about 2/23/89 Sporleder stayed at Meyer's place. Sporleder had a phone conversation with Weins expressing a desire to sell two semi-loads of the product. Weins told Sporleder that their attorney said, "Wait thirty to sixty days, whatever it took for a patent pending," until they sold any product. Meyer testified that after Sporleder hung up the phone, he, Sporleder, stormed out the door and, "That's the last time I saw him." Weins and Meyer didn't terminate the relationship. Sporleder left it.

P2 ¶ 3. At trial Coob Anderson, an eighty year old rancher said, "He had never seen a product like that before and that it worked real good." He added, " . . . that this product, in his opinion, was new on the market." Leonard Havala, a forty year Piedmont, S.D., rancher said that he used Weins' product in the middle of November, 1988, and that, "The product worked extremely well." Havala added that, "Crystalix didn't work as well as Weins tub." Lyle Steinman, who ranches near Piedmont, S.D., also used the product. Steinman said, "Until Weins and Meyer brought their cattle supplement to his place he had never seen a product like theirs." Steinman said. "He had used Crystalix himself and this product was different." Steinman also said that he had used Loomix and Loomix was different.

P.3 ¶ 1. The Supreme Court did state that, "There was never a clear assertion as to what exactly was claimed to be the trade secret." The case was submitted to the jury on the allegations contained in the Second Amended Complaint, (App. 57), which read in part:

"FIRST CAUSE OF ACTION

I.

That sometime before November, 1983, Plaintiff Jim Weins conceived the idea for and invented a new product having application for a Feed Supplement for ruminants and pseudoruminants. Said product is a tub feed product containing a combination of ingredients to be fed free choice to cattle, sheep and horses and which was to limit consumption.

That the invention, combination of ingredients, use and application was a trade secret."

It was clear what Weins and Meyer claimed was the trade secret and the jury correctly found it was a trade secret.

P.3 ¶ 2. The quote, "Anyone can come up with a formula." is not the full quote. The full quote found at T 338 is, "Anyone can come up with a formulation. Few people can come up with a unique type system or a unique program." Robert Riser testified that the concept was unique. Riser compared Weins product with En-R-G Max and said, in his opinion, "There is [sic] few minor changes, but basically they're the same." He added as an analogy about comparing Corn Flakes, Weins and Meyers product and En-R-G Max, "Well, one is Post and the other is Kellog [sic]," "There are a few minor changes, but basically they are the same." The jury agreed with Mr. Riser.

It is true that once a feed tag is placed on a product it can be analyzed and copied. However, whoever places

his product in the market first has a competitive advantage. Weins and Meyer lost their chance to be first in the marker because Sporleder, Van Liere and En-R-G Max misappropriated their idea.

P.3 ¶ 3. The fact that the "setting up" of the tubs was something that we accidentally stumbled into doesn't defeat Weins' and Meyer's claim that their product was a trade secret. That was part of the newness that enhanced the secret. This same concept was used by En-R-G Max, Inc. Despite what Dr. White says, this method of "setting up" was not being routinely used in the feed industry.

P.4 ¶ 1. The statement that, "As the trial went on, the idea of using phosphoric acid and three limiters became a claimed trade secret," is not correct. The first witness called by the plaintiffs was Leonard Havala. Havala was approached by Mac Meyer asking hire to allow Weins and Meyer to test a feed supplement with limiters added to limit consumption. The project was started in November, 1988. Havala fed the product from early November until early spring 1989. Havala said that consumption got down to "maybe a little less, but right around a pound." He added the spring calves were licking the product and that the calves were getting something they needed or wanted and that the calves had no disease problem. The feed used at Leonard Havala's was the first feed using phosphoric acid as a limiting agent. The idea of using three limiters was Weins' and was part of the plaintiffs' case from the start.

P.4 ¶ 2. This paragraph states that Weins and Meyer repeatedly alleged that the use of plastic tubs instead of steel tubs was a trade secret. This is not correct. Mac Meyer was the second witness called in the plaintiffs' case. His direct testimony began at page T 174 of the transcript and continued to T 242. He never testified on direct that the plaintiffs were claiming the use of a plastic

tub as a trade secret. The first mention of a plastic tub was at T 271 Line 23 to 272 Line 3 when the attorney for Sporleder asked Meyer:

Q. Mr. Weins is telling the patent office that, "I have invented a plastic tub that is so unique, that it needs to be protected by the patent laws of the United States"?

A. No, he did not say that he invented a plastic tub. He said that he was the first one to use it in a lick tub. He never said that he invented the tub.

Ms. Wiedmeier, one of the attorneys for Van Liere and En-R-G Max, Inc., then cross-examined Mac Meyer starting at T 275 and continuing to T 292. She asked the following questions and Mac Meyer gave the following answers: T 285 Line 12 to T 285 Line 21

Q. Are you aware that other companies besides En-R-G Max use plastic tubs to sell feed products?

A. At the time that we were testing the tub, there was not any-body selling in a plastic tub that I knew of.

Q. Are you aware today –

A. Oh, yes.

Q. – that other companies –

A. Yes.

Q. Are you going to stop them from using a tub product?

A. No.

The record does not support that Weins and Meyer repeatedly alleged that the use of plastic rather than steel tubs was a trade secret. The quote of the Meyer testimony used by Van Liere and En-R-G Max at P.4 ¶ 2 that "it was nothing that would hold water as far as standing out to be a secret . . . " makes this a non-issue.

P.5 ¶ 1. The court's Instruction # 23 reads as follows:

"Instruction No. 23

If you find that the feed supplement technically is not a trade secret, if the oral contract clearly reveals the intent of Weins, Mac Meyer and Sporleder to create a confidential relationship, a breach of relationship is actionable even if Sporleder could glean some of the information from public sources.

If you find a confidential relationship existed by oral contract and that Sporleder, Van Liere and En-R-G Max conspired to break that confidentiality, the plaintiffs may recover damages from both Sporleder and Van Liere."

In the Second Amended Complaint, the Second Cause of Action paragraphs II, III, IV, V, VI, VII and VIII were added as specific acts of tortious conduct in support of the facts of the case and to incorporate the case law of South Dakota. In particular, paragraph V alleges five deceitful acts. The Second Amended Complaint supports a claim for a tortious breach of a confidential relationship.

P.5 ¶'s 2 and 3. The case was not submitted to the jury on Weins' and Meyer's Motion to Amend the Complaint in 1994. The case was submitted to the jury based on the Second Amended Complaint which took place at trial. This is a non-issue.

P.5 ¶ 4 and all of pages 6, 7, 8, 9, 10, and 11 were all fully discussed in the Petition for Certiorari starting with the last paragraph on page 14 and ending on page 22. That discussion fully states the position of Weins and Meyer in response to the above enumerated paragraph and pages and is incorporated herein by reference.

That completes the Respondents' analysis of the paragraphs set forth under the general heading of Statement of the Case. Respondents reply to the three reasons for denying the writ follow in order.

I.

PETITIONERS HAVE FAILED TO RAISE A FEDERAL ISSUE IN THEIR PETITION. (P. 13)

Included in Respondents' reason I for denying the writ is a statement that the California Supreme Court barred *Lear* from presenting any evidence questions in the granting of a patent. In this case, over the objection of the Respondents, a copy of Weins' and Meyer's patent application was admitted only on the question as to whether Sporleder and Van Liere interferred with the effort of Weins and Meyer to obtain a patent. The court added a cautionary instruction stating, "The denial of the patent by the Patent Department and the reasons given, therefore, are not binding in this case and should be disregarded by you when you determine whether Weins, Meyer and Sporleder had a trade secret."

II.

NO FEDERAL QUESTION WAS RAISED BEFORE THE SOUTH DAKOTA SUPREME COURT. (P. 16)

Included in Respondents' reason II at P.18 ¶ 2 is a quote which says, "Although it would not be sufficient, Petitioners also failed to advance a federal constitutional, federal statutory, federal regulatory, or applicable federal common law provision in their briefs on appeal to the South Dakota Supreme Court or in any petitions for rehearing to the South Dakota Supreme Court." In the Supplemental Petition for Rehearing at App. 131, Petitioners set forth the following quote from *Ed Nowogroski Ins., Inc., v. Rucker*, 971 P.2d 936 (Wash. 1999):

> The Court goes on at page 945 to discuss the question which is now the central issue in this appeal, that is whether a plaintiff can rely on acts that constitute trade secret misappropriation that may be used to support other causes of

action. The Washington Supreme Court answered, yes, at page 945 where it said:

> "As noted above, the Uniform Trade Secrets Act codifies the basic principles of common law trade secret protection. *MAI Sys. Corp.*, 991 F.2d at 520; see also 2 *Rudolph Callmann, The Law of Unfair Competition. Trademarks and Monopolies* Sec. 14.31, at 219 (4th ed. Supp. 1996) (the same principles apply to the protection of customer lists under the Uniform Trade Secrets Act as under the common law). In the absence of legislative intent to the contrary, prior common law which is not contradicted by the Uniform Trade Secrets Act should continue to guide the courts in the interpretation of the Act. See *Avnet, Inc. v. Wyle Lab., Inc.*, 263 Ga. 615, 437 S.E.2d 302, 305 (1933) (*the state Uniform Trade Secrets Act is to be construed in harmony with the pre-existing common law on trade secrets). The Uniform Trade Secrets Act only abrogates prior conflicting state law.* RCW 19.108.900, *Boeing*, Wash.2d at 48, 738 P.2d 665." (Italics supplied)

III.

NO FEDERAL QUESTION WAS PASSED UPON BY THE SOUTH DAKOTA SUPREME COURT. (P. 19)

This claim starts out stating that the South, Dakota Supreme Court did not pass on any federal, question. Rule 10(b) of the Rules of the Supreme Court of the United States adopted January 11, 1999, which became effective on May 3 provides as follows:

"Rule 10. Considerations Governing Review on Certiorari

Review on a writ of certiorari is not a matter of right, but of judicial discretion. A petition for a

writ of certiorari will be granted only for compelling reasons. The following, although neither controlling nor fully measuring the Court's discretion, indicate the character of the reasons the Court considers:

(b) a state court of last resort has decided an important federal question in a way that conflicts with the decision of another state court of last resort or of a United States court of appeals."

After the decision in *Weins I*, Weins and Meyer filed an extensive Petition for Rehearing. (App. 68) They took exception at pages 68 and 69 to the adoption by the South Dakota Supreme Court of the rulings of the Iowa Supreme Court in *Economy Roofing and Insulating Co. v. Zumaris*, 538 N.W.2d 641 (Iowa 1995), as interpreted in *Uncle B's Bakery, Inc. v. O'Rourke*, 920 F.Supp. 1405 (N.D. Iowa 1996). In addition, Justice Sabers in his dissent in *Weins I*, disagrees with the majorities reliance on *Economy Roofing* in so far as it struck the jury verdict. (App. 22) The South Dakota Supreme Court denied the Petition for Rehearing. (App. 34-35) This question was ruled on by the South Dakota Supreme Court.

After the decision in *Weins II*, Weins and Meyer filed a Petition for Rehearing and a Supplemental Petition for Rehearing. (App. 129) In the Supplemental Petition it was brought to the South Dakota Supreme Court's attention that its reliance on *Ed Nowogroski Ins., Inc. v. Rucker*, 944 P.2d 1093 (Wash App. 1997) for the proposition that, "A plaintiff, 'may not rely on acts that constitute a trade secret misappropriation to support other causes of action,' " (see App. 44), was not consistent with a subsequent decision by the Supreme Court of Washington in the same case. (See App. 129) In the subsequent case, the Washington Supreme Court said, " . . . in *Ed Nowogroski Ins., Inc. v. Rucker*, 971 P.2d 936 (Wash 1999) that prior

common law which is not contradicted by the UTSA is to be construed in harmony with the pre-existing common law on trade secrets. The UTSA only abrogates conflicting state law. *Boeing*, 738 P.2d 665."

The South Dakota Supreme Court denied the Petition for Rehearing in *Weins II* (App. 52) and, therefore, created a conflict with a decision of the Supreme Court of Washington. As a result the United States Supreme Court Rule 10(b) is applicable.

CONCLUSION

For all of the reasons set forth in the Petition for Certiorari, PP. 22-25), which are hereby incorporated by reference, the Petition for a Writ of Certiorari should be granted. It also should be granted for the following additional reasons:

1. The decision on Count I is in conflict with the decision of the Iowa Supreme Court upon which the South Dakota Supreme Court relied and the decision on Count II is in conflict with a decision of the Washington Supreme Court upon which the South Dakota Supreme Court relied. United States Supreme Court Rule 10(b).

2. The Uniform Trade Secrets Act has been adopted in 41 states and in a great number of instances involves interstate commerce. There should be a federal interest in uniform application of this law.

Respectfully submitted,

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Petitioners,

v.

ROBERT A. SPORLEDER, MERLE VAN LIERE AND EN-R-G-MAX, INC.,

Respondents.

On Petition For A Writ Of Certiorari To The Supreme Court Of South Dakota

SUPPLEMENTAL BRIEF

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3 pp

THE 1ST APP. DIST. DIV. 4 OF THE CALIF. CT. OF APPEAL HAS HELD THAT THE UNIFORM TRADE SECRET ACT IS TO BE CONSTRUED TO SECURE UNIFORMITY IN ITS APPLICATION AMONG THE STATES ENACTING IT.

At page 10 of Petitioners Reply Brief Petitioners state that certiorari should be granted because:

> "2. The Uniform Trade Secrets Act has been adopted in 41 states and in a great number of instances involves interstate commerce. There should be a federal interest in uniform application of this law."

At the time petitioners had no authority other than the Act itself to support "2" above. On 8/4/2000, the Cal. Ct. of Appeal in *Glue-Fold, Inc. v. Slautterback Corp. et al.*, Cal. Daily Opn. Service 6543,[1] held at page 6545 in footnote 7 that "[t]he Uniform Act as adopted in California provides that its protection does not displace other contractual or civil remedies. (§ 3426.7 subd.(b).) A leading treatise also recognizes that misappropriation of a trade secret can form the basis for many common law and statutory causes of action. (*Trade Secrets Practice in California*, supra §§ 11.38-11.55.)" The California statute referred to above is the same as SDCL 37-29-7(b) set out in toto in Weins' and Meyers' Petition for Certiorari at page 5.

More importantly, *Glue-Fold*, supra, holds at page 6544 that "[a]nother provision of the Uniform Act specifies that it is to be construed to effectuate its goal of

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[1] The *Glue-Fold, Inc. v. Slautterback Corp.* opinion is available online at the California Courts' web page. The address is www.courtinfo.ca.gov/opinions/documents/AO88453.DOC

securing uniformity in application. (§. 3426.8)."[2] The holding in *Ed Nowogroski Ins., Inc. v. Rucker*, 971 P.2d 936 (Wash. 1999), which was quoted at length in the Petition for Certiorari at pages 19-22, is the same construction that the UTSA has received in other jurisdictions. Sporleder, Van Liere and En-R-G-Max, Inc. have presented no substantial justification as is required by *Glue-Fold*, supra, for diversing from the holding in *Nowogroski*.

In light of this recent decision, the need for this Court's intervention is all the more evident. The confusion in interpreting the UTSA by the South Dakota Supreme Court has already raised and will continue to raise conflicts with other state courts of last resort. *Nowogroski*, supra. Weins and Meyer, therefore, pray that certiorari be granted.

Respectfully submitted,

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[2] Section 3426.8 is substantially the same as the statute contained in the South Dakota UTSA. SDCL 37-29-8 provides: "This chapter shall be construed to effectuate its general purpose to make uniform the law with the respect to the subject of this chapter among the states enacting it."